

# Bloomberg

## Biden Ramps Up Pressure on Drugmakers With Vaccine-Patent Gambit

Josh Wingrove

May 6, 2021

President Joe Biden stunned European allies and the pharmaceutical industry when his administration announced support Wednesday for international talks on waiving patent protections for Covid-19 vaccines, but there are signs he's interested in a more modest compromise.

U.S. Trade Representative Katherine Tai's announcement that the administration would support a waiver was a reversal of longstanding U.S. policy that its companies' intellectual property is sacrosanct. But in her statement, Tai said the administration would back a World Trade Organization "process" to try to reach a deal to waive vaccine patents, rather than a specific proposal from South Africa and India.

The WTO talks won't be quick -- under the organization's rules, any decision must be unanimously agreed upon by its members. Biden, meanwhile, was under considerable pressure from liberal allies in Congress to back a patent waiver. By supporting the WTO talks, Biden can satisfy Democratic progressives while engaging in talks on a waiver that may never reach consensus or that could be overtaken by events, if vaccine manufacturers can begin to satisfy international demand for shots from existing Western plants.

Even so, the ripples over American support of the waiver were widespread. German Chancellor Angela Merkel weighed in against it, with a German government spokeswoman on Thursday saying it would create "severe complications" for the production of vaccines.

Shares of vaccine makers Pfizer Inc. and Moderna Inc., along with American depository receipts for BioNTech SE, a Pfizer partner, all dropped Wednesday as news broke of Biden's position. European and German vaccine stocks also slumped.

The pillar of Biden's announcement was that the U.S. would "actively participate in text-based negotiations" at the WTO, which Tai said would take time, as opposed to backing the India-

South Africa proposal. Their proposal was broader and included a waiver on therapeutic drugs for Covid-19, which Biden did not endorse.

His political highwire act is playing out over a layer of safety nets, including the European Union opposition and WTO rules that require consensus.

For Biden, it could amount to a relatively low-risk political victory among progressives, while dialing up leverage on pharmaceutical companies to cough up licensing agreements or partnerships that would increase vaccine production without a full IP waiver. Aides pointed out that he promised a version of a patent waiver for Covid-19 vaccines in last year's campaign, and they said repeatedly that it would take time.

### **'Humanitarian Right'**

"To some extent, this is just Biden and Katherine Tai saying, 'we really should get more vaccines out there if we can,'" said Simon Lester, associate director at the Center for Trade Policy at the Cato Institute, a libertarian think tank. "And so I think Biden sees this as a way to cater to the progressive constituency that he has."

Biden supports a waiver as a "humanitarian right," White House spokeswoman Karine Jean-Pierre said Thursday. She also tempered expectations.

"This is a WTO process, and there will be conversation. This will take time. It's not going to happen tomorrow or the next day," she said. "It will take a few months before this happens, and we will continue to have the conversation, and also just continue the negotiations."

Analysts say easing vaccine bottlenecks is more complicated than ending patent protections.

"It takes a whole lot more than just waiving intellectual property," said Chad Bown, the Reginald Jones Senior Fellow at the Peterson Institute for International Economics. Companies need more than just intellectual property to make vaccines -- supplies, machinery and expertise that's already in short supply globally.

"The IP waiver is not going to fix the problem and it was obviously sucking a lot of oxygen -- just because it's a huge, touchy political subject," Bown said. "So maybe their decision pushes us past that and we can talk about the real bottlenecks that are holding back manufacturing. That's my hope."

But he said he's worried talks will drag out, and if they advance, risk zeroing in on technicalities of IP rules rather than other barriers, like sharing expertise among big drug companies and upstarts and building up the supply chain for vaccine ingredients.

"If it does push the ball a little bit further to actually tackling the real bottlenecks, then that could be useful. I'm just not sure that it's going to play out that way," Bown said.

## **Manufacturing Focus**

Biden's staff has signaled that his goal is simply more vaccine production, however it can be achieved. The White House regards IP as part of the problem "but really, manufacturing is the biggest problem," White House Chief of Staff Ron Klain said.

National Security Adviser Jake Sullivan said over the weekend that the U.S. was looking for "a way forward" and said the bottom line is that pharmaceutical companies should "be supplying at-scale and at-cost to the entire world so that there is no barrier to everyone getting vaccinated."

The Cato Institute's Lester said he thinks Biden's team would be happy to settle for licensing agreements that open some new production internationally without an actual waiver.

"That would look like a big political and policy victory for the Biden administration," he said, and would like end the waiver push.

"My prediction is it just kind of peters out and people realize we don't actually need this," he said. "This was more about leverage and putting pressure on the pharmaceutical companies."