Most Favoured Nation

Prelims: *Economy| Current events of national and international importance.*

Why in News?

Recently, US signed an executive order to lower the prices of prescription drugs to bring drug prices in the US.

- **Most Favoured Nation** – It implies ***preferential terms of trade*** with respect to tariffs and trade barriers.
- **Legality** – Under Article 1 of the General Agreement on Tariffs and Trade (GATT), 1994, *every member country* of the World Trade Organization (WTO) must accord Most Favoured Nation (MFN) status to all other member countries.

> *The **World Trade Organization (WTO)** is the successor of the erstwhile GATT, and is the world's largest intergovernmental trading body. It has 166 member nations, and represents 98% of the world's trade. Its stated goal is to open trade for the benefit of all.*

- **Regulation** – Under the WTO agreements, countries following the MFN status *cannot discriminate among their trading partners.*
- They *cannot grant one country "a special favour"* such a lower customs duty on one of their products, without extending the same to other WTO members.

> *Between 1996 and 2019, India accorded the Most Favoured Nation (MFN) status to Pakistan. This was revoked in February 2019 following Pakistan's terror attack on Pulwama in Jammu & Kashmir.*

US MFN Drug Pricing Policy

- **Need** - US currently pays about three times more for the same drugs compared to other high-income nations.
- **Aim** - To bring drug prices in the US. *at par with the "Nation that pays the lowest price anywhere in the World."*
- **Issues** - Pharmaceutical companies have staunchly opposed this move and are lobbying for safeguards.
- They have expressed fear that the proposed price cuts *would reduce their profits,* which in turn would reduce funds for research on new medicines.

According to a Reuters report, the US accounts for nearly a third of India's pharma exports, which rose 16% to about $9 billion last fiscal year (2024-25).

Reference

[The Indian Express| US MFN Pharma Policy]