

## 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 This was revoked in February 2019 following Pakistan's terror attack on Pulwama in Jammu & Kashmir.*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](#)

