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Practical and Political Problems With a Global Research Tax

David B. Resnik

National Institute of Environmental Health Sciences, National Institutes of Health

In her thought-provoking target article “How to Do Research Fairly in an Unjust World,” Angela Ballantyne (2010) argues that a global tax on international research would help to prevent/minimize exploitation of human subjects and populations from developing nations who are participating in clinical trials sponsored by private companies from developed nations. In the first part of her article, Ballantyne argues that a maximin principle of distributive fairness should apply to transactions between human subjects/populations in the developing world and private companies who are conducting clinical trials there. The maximin principle, in this context, would require that the benefits of the transactions be distributed in such a way that the least advantaged parties, i.e., the subjects/populations, derive maximum benefits. She argues that a maximin principle is appropriate in the international research context to prevent private companies from exploiting vulnerable people. In the second part of the article, Ballantyne argues that a global research tax would help ensure that industry-sponsored international clinical trials conform to maximin distribution principles, and she discusses how the tax could be implemented.

While I am sympathetic to Ballantyne’s views about the importance of minimizing exploitation in international clinical research, I think there are some significant practical and political problems with imposing a global research tax on private companies. My commentary addresses some of these problems.

To her credit, Ballantyne considers some of the practical problems with implementing the research tax, such as determining the tax rate and deciding how money will be collected and distributed. These are important issues, but I do not discuss them here. Rather, I focus on a fundamental practical problem, defining the term “developing nation.” This is not a trivial question, because many developing countries are in the process of becoming developed countries and development within these countries is often not evenly distributed. For example, in the last two decades China has risen from a developing nation to an economic power and a global leader in science, technology, and industry. However, development is not spread evenly throughout China: development is concentrated in large metropolitan areas and along the coast. India and Brazil have also made tremendous progress in last couple of decades but also contain large underdeveloped areas. All three of these countries have strong biotechnology and pharmaceutical sectors and have been actively courting clinical trials from global companies, such as Merck, GlaxoSmithKline, and Pfizer. Other countries would be similarly difficult to classify, such as South Africa, Egypt, Syria, Ukraine, and Mexico.

One way to deal with this definitional problem would be to classify only the most underdeveloped nations as “developing,” such as Sudan, Uganda, Niger, Chad, Congo, Burma, and other countries with very low levels of per capita income and industrialization. While this might solve the definitional problem, it would largely defeat the purpose of the

global research tax, since many vulnerable populations susceptible to exploitation, such as villagers living in South Africa or impoverished residents of Mumbai, India, would not benefit from the tax. Moreover, imposing the tax only on research conducted in the most underdeveloped nations would encourage pharmaceutical companies to move their operations to nations that are not subject to the tax, which could still contain large populations vulnerable to exploitation.

There are also significant political hurdles with imposing an international research tax, which Ballantyne does not mention. Even if a global research tax allows companies to earn a minimal profit when they conduct clinical trials in developing nations, it would still be a restraint on trade with the economic impact of a tariff. By increasing the costs of conducting research in developing nations (however that term may be defined), the tax could deter pharmaceutical companies from conducting research in those countries. Developing countries that are interested in doing business with pharmaceutical companies would have a legitimate reason for objecting that this would be an unfair restraint on trade that could hurt their economies. As noted earlier, India and China have actively sought business ties with global pharmaceutical companies, and other countries outside of the United States, Europe, and Australia have similar ambitions. Countries that are classified as “developing” could take their complaint to the World Trade Organization and place political pressure on developed countries to eliminate the tax. A trade dispute of this sort could further sour relations between developed and developing nations. Additionally, pharmaceutical companies could mount a strong opposition to the tax. While it is tempting to ignore such complaints as self-serving, these corporations would have a legitimate gripe, because they would be saddled with a tax that other companies that conduct business in the developing world, such as textile manufacturers and oil companies, do not face. Singling out the pharmaceutical industry for a special tax would raise genuine questions of fairness.

Thus, while I agree with Ballantyne that steps need to be taken to minimize exploitation of human subjects and populations that participate in industry-sponsored clinical research, I do not think that a global research tax would be an effective or fair way of addressing this issue. Other measures that can minimize exploitation, such as enactment of local laws, development of clinical research infrastructure, ethical guidance for research sponsors, investigators, and review boards, and collaboration with local populations, might be preferable.

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