



FORUM ECONOMIC MINISTERS MEETING

22 - 23 July 2025

Suva, Fiji

INFORMATION PAPER 6: ECONOMIC IMPLICATIONS OF TRADE  
AND HEALTH

**Purpose and Recommendations**

**Purpose**

This paper informs Forum Economic Ministers on national and regional actions to strengthen the resilience of Pacific health systems in the face of evolving global trade dynamics. It proposes using trade policy tools to support access to essential medical goods and services and encourages cross-sectoral collaboration between Health, Trade and Finance ministries on trade and tariff policy that ensures inclusive and sustainable development across sectors.

**Summary**

- Global trade dynamics are increasingly unstable, and Forum Island Countries (FICs) are highly vulnerable due to import dependence for pharmaceuticals, medical supplies, and infrastructure.
- Trade wars, rising tariffs, and disrupted supply chains have inflated health-related import costs by 25-35%, threatening equitable access to care.
- The health consequences of these trade shifts include delayed hospital construction, stockouts of essential drugs, and rising out-of-pocket expenses.
- This paper proposes reforms such as pooled procurement, diversified sourcing, buffer stocks, and policy integration between health and trade sectors.
- Forum Trade Ministers (FTMM) recognised that trade and health must be mutually reinforcing so that trade continues to support public wellbeing, economic resilience and sustainable regional development.

**A. Problem/Opportunity Identification**

FICs are among the most import-dependent health systems in the world. They are acutely vulnerable to global trade shifts, especially tariff-driven inflation and supply disruptions. These shocks are already impacting health service delivery, delaying infrastructure upgrades, and increasing costs to governments and patients. There is an urgent opportunity to reform trade policy and protect health system resilience. At the same time, trade remains a powerful tool for driving recovery and resilience. There is an opportunity to better leverage trade policy to protect public goods - such as health - through targeted, balanced reforms that improve market efficiency and supply chain reliability.

**B. Strategic Context and Background**

2. The global trade landscape is undergoing significant upheaval. The post-pandemic economic recovery has been marred by rising geopolitical tensions, including trade disputes,

retaliatory tariffs, protectionist trade policies, and weakened multilateral trade systems. These global trends are having cascading effects on small, import-dependent economies, including the Pacific.

3. FICs have limited local production capacity for medical goods, pharmaceuticals, and diagnostic equipment. As a result, they are disproportionately exposed to external shocks in global supply chains. Tariffs imposed by manufacturing countries, compounded by rising freight costs and supply bottlenecks, are increasing the cost of health inputs by an estimated 25-35%. These costs are ultimately borne by governments through inflated procurement bills, or by households through higher out-of-pocket health spending.

4. For example, Papua New Guinea has faced persistent drug shortages, with some hospitals receiving only a fraction of their medicine orders. In Solomon Islands, a key pharmaceutical supplier withdrew due to unviable operating conditions, while Fiji has reported delays and de-prioritisation from international suppliers due to its small market size. Meanwhile, Vanuatu has experienced significant delays in hospital construction due to inflated input costs tied to global tariffs on steel, electronics, and other materials.

5. These impacts are particularly severe because many Pacific countries allocate less than 5% of GDP to health and rely heavily on donor support. With constrained fiscal space and declining global aid predictability, the additional financial burden from trade disruptions further strains the sustainability of health systems. Health infrastructure projects are being postponed or scaled down due to price escalation, even in cases where external funding had been secured.

6. Furthermore, transport logistics that are already a structural challenge in the Pacific due to geographic remoteness, have become increasingly volatile. Fuel costs and disrupted shipping schedules have left some island provinces without regular medical supply deliveries. In extreme cases, such as in Solomon Islands, emergency humanitarian airlifts were required to supply basic medical items – an expensive and unsustainable solution.

7. These dynamics are unfolding against a broader backdrop of compounded systemic risks including climate change, inflation, pandemics, and political conflicts such as the Russia-Ukraine war, all of which further threaten stability. Pacific economies are facing macroeconomic pressure, reduced foreign direct investment, and high dependency on imported food, fuel and medical goods.

8. In light of these challenges, trade and health policy must no longer operate in silos. Rather than seeing trade as a challenge to health, the region must harness the tools of trade such as tariff adjustments, regional cooperation, and supply diversification to support and safeguard essential services, especially for small and vulnerable economies. They are deeply interconnected, and must be addressed in an integrated, cross-sectoral manner. The 2050 Strategy for the Blue Pacific Continent (referred to as the 2050 Strategy here on) calls for resilience, regional solidarity, and inclusive human development. To fulfil these commitments, regional policy must actively align trade frameworks with public health goals.

9. Investing in health is not only a social imperative - it is an economic one. Evidence shows that for every US\$1 invested in health, there is a return of up to US\$4 in increased productivity and economic growth,<sup>1</sup> with some interventions yielding even higher returns. For

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<sup>1</sup> World Health Organization & World Bank (2016). *Investing in treatment for depression and anxiety leads to fourfold return*. World Bank Press Release, April 13, 2016. Available at:

example, a study found that for every US\$1 invested in a comprehensive package of health interventions, there is an expected return of US\$24 in health and economic benefits over 80 years.<sup>2</sup> Childhood immunisation programs offer a return of US\$44 for every US\$1 invested,<sup>3</sup> and cost-effective non-communicable disease interventions return US\$7 for every US\$1 spent.<sup>4</sup> Investments in pandemic preparedness offer substantial returns, with each dollar spent potentially saving US\$5 to US\$10 in avoided economic and social losses.<sup>5</sup> Strengthening health systems also reduces household financial hardship, boosts workforce participation, and stabilises economies. For the Pacific, where shocks are recurrent and resilience is paramount, health investments - when aligned with trade and economic policy - offer one of the most cost-effective strategies for sustaining inclusive growth and protecting regional prosperity.

10. There is also precedent for effective regional coordination. During the COVID-19 pandemic, the Pacific Humanitarian Pathway demonstrated the value of collective logistics and diplomatic coordination. Several countries, including Fiji and Tuvalu, have also demonstrated adaptability by introducing temporary VAT and tariff relief measures. These examples show that Pacific governments can act quickly and collaboratively when faced with shared external threats.

11. However, in the absence of institutionalised trade-health integration, such measures remain ad hoc. There is now a critical opportunity to institutional reforms such as pooled procurement, tariff reduction, and strategic stockpiling, to build long-term resilience and health sovereignty in the Pacific.

### C. Linkage to Current Regional Initiatives

12. This work directly supports the 2050 Strategy's goals on People-Centered Development, Resilience and Wellbeing, and Peace and Security by promoting trade policy reforms that protect health systems from external shocks. The 2050 Strategy's Implementation Plan calls for strengthened systems to manage global disruptions, and this paper addresses that call by focusing on health sector resilience and integrated economic planning. The proposed actions also support the 2050 Strategy's Implementation Plan by promoting cross-sector integration, particularly between trade, health and finance.

13. Trade and health has cross-cutting relevance across multiple Forum ministerial tracks and complements discussions and decisions taken in the Forum Economic Ministers Meeting (FEMM) where concerns about the narrowing fiscal space in Pacific countries and the

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<https://www.worldbank.org/en/news/press-release/2016/04/13/investing-in-treatment-for-depression-anxiety-leads-to-fourfold-return>

<sup>2</sup> Watkins, D.A., et al. (2022). *What does it cost to strengthen health systems in low- and middle-income countries?* BMJ Global Health, 7(6), e007759. DOI: 10.1136/bmjgh-2021-007759

<sup>3</sup> Ozawa, S., et al. (2016). *Return on investment from childhood immunization in low- and middle-income countries, 2011–20*. Health Affairs, 35(2), 199–207. DOI: 10.1377/hlthaff.2015.1086

<sup>4</sup> World Health Organization (2024). *Investment cases for cost-effective interventions for non-communicable diseases (NCDs): Draft paper for the 2024 Financing Dialogue*. WHO, Geneva. Available at: <https://cdn.who.int/media/docs/default-source/ncds/investment-cases-draft-paper-for-the-2024-financing-dialogue.pdf>

<sup>5</sup> Global Preparedness Monitoring Board (2019). *A World at Risk: Annual Report on Global Preparedness for Health Emergencies*. World Health Organization, Geneva. Available at: [https://apps.who.int/gpmb/assets/annual\\_report/GPMB\\_Annual\\_Report\\_2019.pdf](https://apps.who.int/gpmb/assets/annual_report/GPMB_Annual_Report_2019.pdf); Global Preparedness Monitoring Board (2023). *A Fragile State of Preparedness: 2023 Report on Global Preparedness for Health Emergencies*.

World Health Organization. Available at: <https://www.gpmb.org>

inflationary impact of global supply chain disruptions has been regularly raised; the Forum Trade Ministers Meeting (FTMM) by recognising the role of trade policy in advancing inclusive and equitable development; the Forum Foreign Ministers Meeting (FFMM) especially in terms of regional diplomacy to influence global trade norms and protect vulnerable Pacific states and the Pacific Health Ministers Meeting (PHMM) and Pacific Heads of Health (PHoH) where the urgency of strengthening health system resilience through sustainable health financing and the importance of securing consistent, affordable access to medical goods have been emphasised.

14. This work is consistent as well with the Boe Declaration on Regional Security by reinforcing human security and reducing systemic vulnerabilities in essential services such as health which are central to Pacific stability. It aligns with the Declaration's focus on expanding the regional concept of security to include economic and environmental risks. Additionally, it also complements the Pacific Resilience Partnership and Framework for Resilient Development in the Pacific by addressing vulnerabilities in health supply chains, disaster preparedness, and infrastructure continuity in the face of compounding shocks.

15. Several CROP and multilateral agencies are already engaged in the work that supports or is complemented by the proposals in this paper. The Pacific Community (SPC) provides technical assistance to Ministries of Health across the Pacific, particularly in strengthening procurement processes, supply chains, and health data systems. SPC also plays a central convening role through the Pacific Heads of Health forum and supports broader public health system development in the region. Similarly, WHO has led the establishment and implementation of the Pacific Joint Procurement mechanism, facilitating pooled purchasing of medical supplies, while also supporting countries in enhancing their national supply systems and forecasting tools for essential medicines.

16. UN agencies such as UNICEF, UNFPA and WHO have provided targeted support in pandemic response and health logistics, including maintaining regional stockpiles and ensuring emergency delivery of medical supplies like vaccines during COVID-19. They have also been instrumental in strengthening procurement governance and health infrastructure.

17. These agencies' ongoing efforts in pooled procurement, pandemic preparedness, and health supply chain resilience provide a strong foundation for the recommendations in this paper. The proposals build on and seek to scale up these efforts. In doing so, the paper also complements broader regional work on climate and disaster resilience by addressing economic and infrastructure resilience in the health sector, a component often underrepresented in traditional disaster risk reduction efforts. The proposed actions aim to bring these initiatives under a cohesive political and strategic framework aligned with the vision, principles and priorities of Pacific Islands Forum Leaders.

#### **D. Policy Analysis**

18. This proposal has been developed through analysis of emerging trade-health risks. Three policy options have been considered using the criteria of feasibility, regional equity, cost-effectiveness, resilience outcomes, and alignment with regional frameworks.

19. **Option 1: Status Quo** – where individual countries independently manage procurement and tariff policy with minimal trade-health policy coordination, offers limited resilience. Fragmented approaches result in inconsistent access to medical goods, higher prices, and duplicated effort. This option may appear feasible in the short term, but it perpetuates

system fragility, especially during crises when competition for global supplies intensifies and smaller states have limited negotiating power.

20. **Option 2: National Level Reforms** – allows individual countries to pursue tariff reductions and procurement improvements on a case-by-case basis. While more flexible, it risks reinforcing disparities between countries and offers limited bargaining power or economies of scale. Smaller island states may be unable to implement reforms without external support.

21. **Option 3: Coordinated Regional Reform (Recommended)** – involves pooled procurement, shared buffer stocks, health-sensitive tariff reform, and institutionalised cross-sector collaboration. It builds on existing mechanisms such as the Pacific Joint Procurement initiative and the Pacific Humanitarian Pathway, while enabling collective bargaining, reduced costs, and improved supply chain resilience.

22. The recommended option is a coordinated regional approach that includes pooled procurement mechanisms, health-sensitive tariff reform, strategic stockpiling, and inter-ministerial collaboration. This model builds on existing platforms (e.g. WHO’s Joint Procurement, the Pacific Humanitarian Pathway) and creates economies of scale, reduces duplication, and strengthens long-term system resilience. It also aligns with the 2050 Strategy, supporting integrated, sovereign, and equitable development.

## **E. Consultation**

23. Consultations informing this paper include an information paper and dialogue shared at the 2025 Pacific Heads of Health Meeting convened in Nadi, where tariff-related health system challenges and policy responses were presented. The paper also draws on technical inputs and recommendations from SPC and WHO policy forums, particularly those focused on procurement systems, health security, and trade-health integration.

24. This Paper was presented to the Forum Trade Ministerial Meeting (FTMM) held on 18 July 2025, and which noted the need for stronger collaboration between the trade and health sectors and acknowledged Aid-for-Trade and investment in quality infrastructure as essential tools in mitigating the challenges associated with Non-Communicable Diseases (NCDs).

## **F. Resourcing Requirements**

25. Implementation will require technical assistance for tariff review and policy alignment, initial capital investment in pooled procurement and logistics infrastructure and ongoing support from CROP agencies and development partners.

## **G. Regional Governance Implications**

26. The Pacific Health and Trade Accord would provide a new platform under the governance of Forum Trade Ministers and Ministers of Health. SPC and WHO would play key operational roles, with PIFS coordinating regional policy coherence.

27. The FTMM observed that the work initiated in 2020 on NCDs had been reintroduced to the FTMM agenda, reaffirming the importance of prioritising the health and well-being of the Pacific people.

## **H. International Advocacy and Engagement Implications**

28. This initiative can position the Pacific as a leader in health-sensitive trade policy, advocating for health equity in WTO and multilateral trade forums. It aligns with the 2050 Strategy goals on sovereignty and resilience and offers a compelling narrative for aid and investment mobilisation.

## **I. Next Steps**

29. The following steps are proposed to operationalise the outcomes of the 2025 Forum Trade Ministers Meeting (FTMM) and advance the development of a coordinated regional response:

- i. The 2025 FTMM noted the development of a Pacific Health and Trade Accord. It also encouraged the need for more cross-sectoral collaboration between trade, health and finance ministries on trade and tariff policy.
- ii. SPC and WHO to lead pooled procurement and health supply chain resilience planning (Q1 2026).
- iii. PIFS and SPC to work together to explore how the PQII could possibly contribute to addressing food-related NCDs.
- iv. Countries to conduct tariff audits and policy impact assessments (Q1 and Q2 2026).

*The Pacific Community*  
*30 June 2025*

## **Annex: Full Working Paper**

*‘Strained by Tariffs: Protecting Pacific Health Systems from the Impact of Global Trade Shifts’*  
*Prepared for the Pacific Heads of Health Meeting, 28-30 April 2025.*