**Abstract**

Late in the year 2000, the Israeli legislature enacted a reform authorizing the parallel importation of pharmaceuticals. The prevailing assumption at the time was that parallel imports would help lower drug prices and reduce healthcare costs in the country.

This Article presents an empirical study of Israel’s experience with parallel importation of medications, examining the effects of the country’s regulatory reforms and the practical impediments to applying the mechanisms created to facilitate parallel importation. Combining quantitative methods, interviews, and a comparative law study, this Article makes several important contributions to understanding the interaction of parallel imports and regulation of drug prices.

Our first key finding is that there has been almost no parallel importation of pharmaceuticals into the State of Israel in the over twenty years since such imports were authorized. Essentially, despite reforms intended to stimulate competition in the Israeli pharmaceutical market through parallel importation, competition in this sector remains close to nil. We attribute this to a number of barriers to parallel importation in the Israeli market, including regulatory barriers, contractual barriers, and barriers resulting from information asymmetry. Nevertheless, our study reveals that even without the expected influx of parallel imports into the market, the maximum price of most prescription drugs in Israel decreased between 2007 and 2020 and that Israeli public health funds usually pay less than the maximum price for medications. Consequently, we conclude that opening the Israeli pharmaceutical market to parallel imports may have had an indirect effect on drug prices by improving the bargaining power of these key market players and increasing competitive pressure on manufacturers.

Our study concludes that while regulatory reforms enacted with the intention of cultivating a vital industry of parallel drug importation did not achieve that result, they may nonetheless have helped control drug prices. It also highlights that the issue of the viability of parallel importation in a price-regulated market warrants further scholarly investigation into the conditions under which such importation can take place.