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Destroying Local Drug Industry

Joseph Yu

Because of changed laws as prescribed by WTO, people in third world countries can hardly afford medicines they need. What is happening in the Philippiners in respect of high drug prices is a general feature through-out Asia, Africa and Latin America.

The debate over high drug prices recently hit the spotlight once again as a US-based pharmaceutical giant sought to stop the Philippine government's plans to import a cheaper version of a hypertension medicine.

Pfizer filed suit before a local court against the Philippine International Trading Corporation (PITC) and the Bureau of Food and Drugs (BFAD), alleging copyright infringement. Pfizer's suit alleges that PITC was planning to import a cheaper version of hypertension drug Norvasc, under the government's parallel importation programme, from an Indian company that is allegedly not licensed to produce the drug.

However, PITC countered that it would import the version of Norvasc only when the patent expires in June 2007, adding that it would come from licensed producers. (PITC is the lead implementing agency in the government's parallel importation programme for pharmaceuticals, which seeks to improve public access to 'high-quality branded medicines' for common, life-threatening ailments through cutting retail prices by at least half.)

Undoubtedly, the programme has lofty aims. The country suffers from some of the highest drug prices in Asia, if not the world. To illustrate Norvasc, the drug that PITC wants to import, is sold locally at some P44.75 per 5 mg tablet and P74.57 per 10 mg tablet. But Pfizer sells the same medicine in India under the brand name Amlogard at the equivalent of P5.98 per 5 mg tablet and P8.96 per 10 mg tablet.

The root cause of high drug prices is the dependence of the local industry on pharmaceutical transnational corporations (TNCs) for raw materials, technology and finished products. Even Filipino-owned drug firms depend on TNCs for the chemicals they need to manufacture their product.

A comprehensive drug industry includes all the basic processes in manufacturing medicines, from the extraction of raw materials and production of basic chemicals to the manufacture of finished products. In the Philippines, the process of extracting and producing raw materials from local sources is generally absent. Pharmaceutical companies are involved mainly in bulk importation of raw materials and finished goods, formulating, processing, packaging and distribution.

Many of the imported raw materials can be produced locally, but production is not viable because the country lacks an organic chemical industry that will produce the inputs. Aside from dependence on inputs, the local industry is under TNC control through licensing agreements involving technological or marketing tie-ups.

Because of this dependence, pharmaceutical TNCs are able to impose whatever price they want for their raw materials, chemicals and pharmaceuticals, leaving Filipino consumers little choice but to try and meet high drug prices as best they can... if they can afford them.

The price of a drug product is said to be affected by what is called the transfer price. In transfer pricing, profits are transferred from the subsidiary to the parent company through pricing schemes. For example, raw materials are purchased from the mother or sister company at prices higher than the world market price to avoid paying taxes on profit or to get around the host country's policies on profit remittance. Drug companies get away with this price fixing because they have control over the pharmaceutical market, a control protected by patent laws.

Drug prices go up further because of the amount retailers add to the product. Retailers assign a mark-up of 5-30% on top of the officially listed ex-distributor price (which includes all expenses including distribution fees and duties).

Patenting is the ultimate secret behind high drug prices. Through patents, drug TNCs prevent others from manufacturing different versions of the same medicine, thus ensuring they can rake in all the profits they want for the life of the patent.

Prior to the signing of the TRIPS in 1995, medicines were exempted from patentability in some 50 countries. WTO member-countries no longer enjoy such options as TRIPS enforces TNCs' patent rights.

The agreement provides patent holders with the rights to prevent the unauthorised manufacturing, commercialisation and importation of patented materials and products obtained from patented processes. Such protection has also been extended to 20 years from 17 years. ✍✍✍

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