

The last gasp

REP. FERJENEL BIRON OF ILOILO HAS INTRODUCED House Bill 3830, aiming to lower drug prices through a Drug Rehabilitation Board. I first found the name of the proposed board strange, since we associate rehabilitation with drug dependents, but then maybe in a way the name is appropriate because really the main reason we're paying such outrageous prices for drugs is our total dependence on multinational drug cartels.

Monopoly power

Cartels? I'm sure the drug companies are going to come out soon to respond to the Biron bill and declare, as they have in the last 50 years or so, that there is no monopoly, that there are so many drug companies out there, multinational and local, and that this allows for healthy competition to keep prices manageable.

But people often forget that the drug market is very segmented, with each drug company specializing in particular lines. This means that for many vital products, you have only two or three companies cornering the market. This is the case for many antibiotics, intravenous fluids (dextrose and other products), cardiovascular drugs, anti-diabetics, even contraceptives.

Back in the 1980s, as I was researching for a book on pharmaceuticals, "Dying for Drugs," I was able to interview a physician who told me about how he had complained to a drug salesman about how expensive their antibiotic was. At that time, there were only two brands of that antibiotic available in the market. The drug salesman's reply? "That's impossible. We agreed to keep the prices of our antibiotics at about the same price."

I don't think the companies actually conspire in a formal sense, but they're really quite similar to the oil cartel, able to keep prices of their "competing" products almost at the same high levels, designed to squeeze as much of the last peso and centavo they can from the consumer.

It's not just market forces at work here, but political economy. These companies are huge, with assets larger than the gross national product of the Philippines. Economics translates into politics. It's well known that the administration of US President George W. Bush is very—some will say too—friendly to the drug companies because these companies were among the largest contributors to the Republican Party's election coffers.

These powerful companies will not spare any expense to curb attempts to temper their profits. They have opposed price control whenever possible. And they will oppose any attempt to introduce real market forces into the pharmaceutical sector. Expect the Biron bill to face attacks since it seeks to expand the efforts of the state-owned Philippine International Trading Corp. (PITC) to make parallel imports. This involves importation of cheaper brand-name products from other countries, and selling these through government hospitals.

Beyond rehab

I wish Biron and his colleagues the best of luck as they try to get their bill passed, but I also feel that in the long run, we need to go back to the basics and ask why we are in this rut right now, paying some of the highest drug prices in the region. Roberto Pagdanganan, chief of the PITC, points out that the antihypertension medicine Norvasc is sold here at P44.75 per 5 mg tablet and P74.57 per 10 mg tablet, compared to P5.98 and P8.96, respectively, in Pakistan.

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We do not have our own drug industry to speak of, being almost totally import-dependent. We've been told time and time again, by the multinationals, that it's better to just import our drugs because this is more cost-effective, that we don't have a population large enough to support a local drug industry. I've wondered: with a population of 84 million, how can anyone say we don't have a domestic market? Yes, the purchasing power is low but this is also relative: if drug prices continue the way they are, we can expect many Filipinos to continue to be unable to purchase the drugs they need.

We presume that like typhoons and landslides, high drug prices are inevitable. And when consumer activists point out that many of our neighbors provide much cheaper medicines, the multinationals say, "Oh, but those are inferior drugs, even counterfeit drugs." But the price comparisons involve the same products of multinationals in different countries, so when they cry "Fake drugs!" they're actually putting down their own medicines.

We need to look at how other countries were able to bring drug prices down. China, Thailand and India were successful because they were more independent-minded in the past, refusing to sign patent laws that they felt were unfair to developing countries. As a result, their governments and local companies began to produce low-cost generics. Facing competition from these generics, the multinationals had to lower their drug prices as well, which is why their products carrying the same brand names are cheaper in those countries.

Those three countries have now acceded to patent laws, but were able to achieve a competitive edge and are always ready to invoke public-health emergencies to again produce patented drugs when needed.

If the Philippines wants true "rehab," we need now to look at how we can build a local drug industry. I'm actually very uneasy about parallel imports, because it continues to rely on the products of multinationals in other countries and they could cut off supplies as well. We should now be looking at the national companies in India, China and Thailand, some of which are now recognized as world-class. For example, Cipla in India is a major world supplier of antiretroviral drugs needed for HIV.

But even as we look into imports, the government should be encouraging local companies to produce good quality medicines. Right now, parallel imports are killing, rather than helping, the local generic companies.

We need to provide incentives, like tax exemptions for research and innovation. That should include serious research into local medicinal plants; our neighbors have surged far ahead of us to tap these valuable resources. Even sadder, as we neglect our medicinal plants, foreign companies are coming in and tapping our resources, even taking out patents on them. I was surprised to see, in American natural health magazines, numerous advertisements for banaba extract—yes, that common tree found on our roadsides is an anti-diabetic.

Years back, amid the debates over patents and local drug production, we laughed at Thailand and China and India as being "backward," unable to keep up with the "realities" of globalization. Today, they're having the last laugh as their citizens reap the bounties of strong local drug industries. Ours is the last gasp as we suffer from the lack of affordable medicines.