

THE LOP-SIDED WORLD OF THE DRUG INDUSTRY

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The US \$ 80 billion pharmaceutical industry is becoming increasingly international in all areas of its business; while the distribution of drugs world wide is getting heavily lop-sided in favour of those countries which can afford to pay for them. International manufacturers showing concern for this situation have proposed that special price concessions be offered to developing countries while adequate drug prices be charged in the industrialised countries to generate funds required for granting the concessions.

As the world's demand for modern hospitals and medical equipment increases, so does its demand for safe, efficacious drugs.

In the last decade or so, the pharmaceutical industry's image as miracle-worker has been somewhat tarnished but the setbacks and controversies have only increased the industry's determination to provide more treatments for more diseases in more parts of the world.

To meet this challenge, the \$ 80 billion a year pharmaceutical industry is becoming increasingly international in all areas of its business. Thus, research into new cephalosporins, the broad-spectrum antibiotic used mainly in hospitals, is actively under way in the U.S., Britain and Japan, as well as in Sweden, West Germany and Switzerland.

Anti-cancer research is also a truly global project, with nearly every developed country hoisting a cancer research institute to augment the work done by private researchers.

This expansion in research activity world-wide has led to a record number of licensing and joint-venture deals within the pharmaceutical industry. Last year, for example, nearly 400 companies from 29 different countries agreed to licensing deals for new products — up from just 186 companies in 1981.

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Research

The amount of money being ploughed into research is also growing. According to Edinburgh stockbrokers, Wood, Mackenzie, in 1978 drug companies were spending about 10.3 percent of their sales on research and development. Today that figure is close to 12 percent.

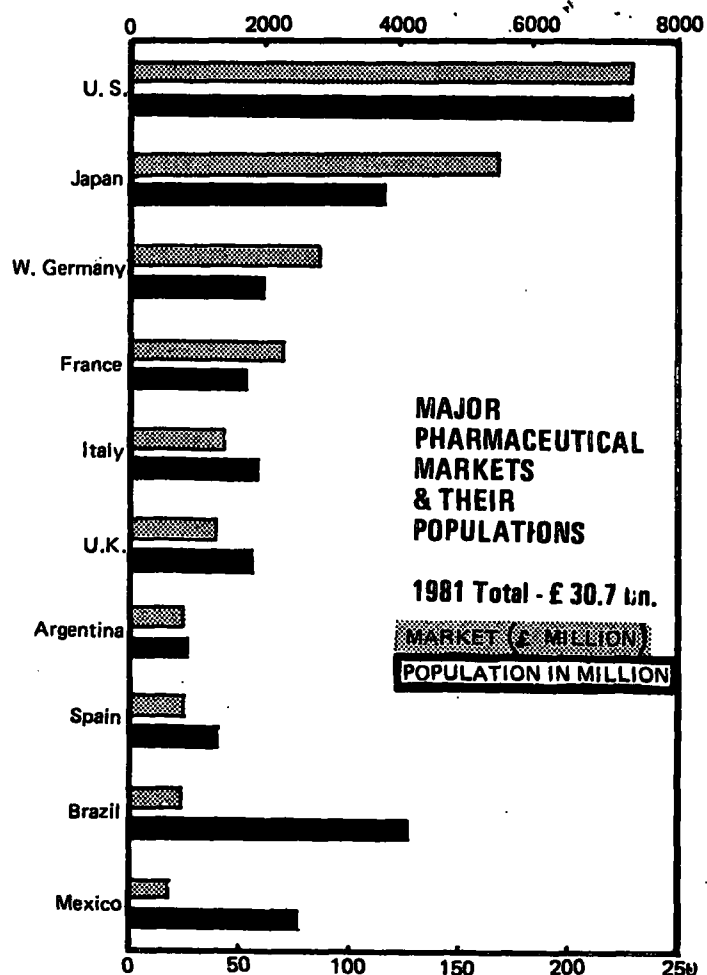
Even so, the distribution of drugs world-wide is heavily lop-sided in favour of those countries which can afford to pay for them. According to United Nations statistics, over 80 per cent of the world's drug production is consumed in developed countries and less than 20 percent in developing nations.

In fact, Dr. Haifdan Mahier, director general of the World Health Organisation said last year that the public health services of the 67 poorest developing countries, excluding

China, are spending less in total than the rich countries spend on tranquilisers.

In a recent paper on the European pharmaceutical industry, Dr. George Teeling-Smith, director of the UK Office of Health Economics, and Mr. Otto Nowotny argued that three specific actions should be considered by industrialised countries in order to change this pattern. These proposed actions are:

- * More research into tropical and other diseases prevalent in developing countries.
- * Special price concessions to developing countries in order to make drugs available to as large a segment of the needy population as possible.
- * Adequate drug prices in the industrialised countries to generate the funds required by the first two proposals.



The third proposal strikes a sensitive chord with the drug industry and its critics. In the past few years, the drug industry in Europe and the U.S. has come under attack by charities like Oxfam and consumer groups for allegedly charging excessively high prices for its products.

The critics charge that drug companies are quick to bring out similar products in a given therapeutic area without necessarily providing any innovation in treatment. Senator Edward Kennedy of the U.S., described the results as a "race" in which the world has been flooded with a "myriad of competing drug products".

The World Health Organisation in a controversial report published in 1981, stated that just over 200 active substances could adequately cover the health needs of the majority of the world's population. This figure of 200, they stated, compared to the "quite absurd figure" of 30,000 brands in some countries.

In their defence, drug companies point out that long regulatory procedures mean shortened patent life for drugs, and hence the need to maximise profit while drugs are on patent. None the less, governments throughout Europe are seizing on this issue and many appear poised to regulate further drug prices in the months to come.

One area where the cost of a drug may actually hinder its own growth potential is in the cephalosporin market. The natural successors to penicillins cephalosporins are now one of the biggest drug markets in the world and a hotly competitive one. The injectible third-generation cephalosporin market is being chased by a host of eager participants, but some early indications are showing that the expensive drugs may not be very much more infectious than more traditional antibiotics.

A good example of the increasing need to prove that a drug actually works and indeed, how it works has been demonstrated in the anti-cancer area. For example, the largest selling anti-cancer treatment in Japan has yet to make any dent in Western markets because the Japanese have yet to show substantial proof of efficacy of the drug.

MINCs Dumping Rifampicin in India

Rifampicin is a drug vitally required in India both as an anti-tuberculosis bulk drug and as an effective treatment for leprosy.

Indian manufacturers had ideas of producing this drug locally and 4 or 5 indigenous companies obtained official approval to set up projects. Meanwhile, the multinational drug firms operating in India began a price-war and have reduced their prices of Rifampicin about 3 to 4 times. This technique of gaining a foot-hold in an overseas market has had the desired effect of making it uneconomical for local manufacturers to start production, as this report in the Indian daily "Financial Express" of December 30th, 1983 indicates.

Multinational drug companies have resorted to dumping Rifampicin, an anti-tuberculosis bulk drug, on the Indian market, taking advantage of the liberal official policy with regard to import of this life saving drug.

According to sources here, the multinational companies are said to be vying with one another to capture the "vast" Indian market for this drug resulting in a virtual "price war" with competing companies cutting back their prices in quick succession.

On the other hand, this has frustrated the attempts of the domestic industry to create new capacities to cater to the growing demand for anti-TB drugs from indigenous sources.

The sources said that this year alone, the multinational companies have reduced the prices of Rifampicin about three to four times. About four months back, Rifampicin was quoted on the Indian market at Rs 4,000 per kg. But, within a short span of time, this was reduced to about Rs 3,000 per kg.

With increasing competition among the supplier companies to gain a foot-hold in the country, some suppliers have in fact offered further reductions which for obvious reasons go in favour of the consumers.

The large scale imports at dump prices has proved to be a great disincentive for the domestic licencees to undertake the manufacture of this vital drug.

This is more so, as this vital drug is wholly imported currently with no domestic manufacturing base. Besides, this drug has been found to be equally effective for the treatment of leprosy.

The government had, realising the importance of this drug, permitted four or five indigenous companies, by granting letters of intent, to undertake its manufacture. Some of these manufacturers have not been able to take effective steps in the implementation of their projects.

In fact, these parties have not even sought the conversion of their letters of intent into industrial licencees as the entire economies of domestic manufacture of this drug appear to have gone away.

Sources said it is feared that once the indigenous manufacturers come out with this drug, they may not be able to market the same in view of the dumping of the drug by multinationals.