

BY G V PRASAD

WTO drug pact is about access, not business



A lot of euphoria and expectancy has been generated in the run up to the ministerial conference of the World Trade Organisation member countries scheduled to be held from September 10-14 at Cancun, Mexico. And for good reason. At the recent pre-Cancun talks, in which several WTO member governments participated, a protracted deadlock on import of generic drugs was resolved by agreement.

This agreement, which was subsequently approved by the General Council of the WTO on August 30, 2003, removes the final obstacle which enables poor and needy countries to import affordable drugs in situations of national emergency.

The new agreement represents a willingness on the part of all the member countries to make concessions for addressing a critical humanitarian issue. It is a good compromise that addresses both humanitarian and trade concerns.

Unfortunately, back home, a media blitzkrieg focused on the commercial implications of this development, presenting conflicting views of how this would be beneficial or detrimental to the Indian pharma industry.

There also seems to be a positive rally in the stock market on the basis of this agreement. This is unfortunate, because at stake are not commercial considerations or profits, but the lives of millions of patients suffering from life-threatening diseases worldwide, especially in poor and underdeveloped countries in Africa and Latin America.

Innovator or patent-holder companies have long been worried about the potential for misuse, fearing that the pharmaceutical products manufactured could be diverted to markets other than that of the importing country which is facing a crisis, impacting their commercial interests.

These concerns have been addressed by providing several safeguards, which include difference in appearance (by changing colour, shape and packaging) of these drugs to distinguish them from the

innovator company's products.

Anxieties that the patent-holder companies could create procedural delays to protect their commercial interests are misplaced. They have very little to gain and a lot to lose if they do this. The markets in these countries are small and have low margins, making them unviable. These companies have limited sales in these countries because of their high costs and hence there is no opportunity cost for them in allowing access.

There is also a very low incentive for them to block the entry of generic products in a national emergency situation on account of this, as well as the negative public perception that such actions may cause. Even in the remote possibility that these companies will attempt this, humanitarian organisations, such as Oxfam, can be counted upon to launch public campaigns, as they have successfully done earlier, which will ruin their image in their home countries. A prospect these pharmaceutical companies can ill afford.

While our pharmaceutical industry does stand to gain from potentially supplying these products to developing nations in the midst of national health crises, the point being missed is that this agreement is not about business but about access. This is definitely not the great white hope for Indian industry nor is it a potential windfall given the competitiveness in these markets. The agreement is a win-win for both patients in the Third World as well as innovator pharmaceutical companies in the sense that the patients in poor countries get access, while Big Pharma is protected from the proliferation of such products into their core markets through parallel imports.

It is worthwhile to quote here, George W Merck, founder of the most admired pharma company in the world, Merck & Co: "We try never to forget that medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they never failed to appear."

(G V Prasad is CEO of Dr Reddy's Laboratories Ltd, the first Indian pharma company to list on the NYSE)