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NOTE

Monopolising Medicines

M K writes :

A DECADE AGO, AN INDIAN company called Cipla produced HIV-AIDS generic drugs that could treat a patient for $300 a year, far cheape than the branded product's cost of $10,000 a patient a year. Today, the Indian drug cost has been cut further to below $80.

This has enabled millions more AIDS patients to be treated. India supplies 70% of the HIV-AIDS drugs obtained by Unicef, the Global Fund and Clinton Foundation for developing countries.

And 75%-80% of medicines (not only for AIDS) distributed by the international Dispensary Association to developing countries come from India. No wonder India has been termed the pharmacy of the developing world.

Recently, the Indian Drug Manufacturers' Association (IDMA), which has 700 drug companies as members, celebrated its 50th anniversary. There was much to celebrate, including the industry's high growth, wide range of medicines, and its contribution to good affordable drugs.

But there are also many factors that may hinder the continuation of the companies' role as chief supplier of medicines for developing countries.

A main factor of the industry's success has been the government's move in 1970 to exclude pharmaceutical drugs from product patents.

This paved the way for local companies to produce generic versions of the expensive foreign drugs, and within a few decades they had taken over 80% of the local market, while also supplying cheap medicines abroad.

The situation took a negative turn when the intellectual property agreement known as TRIPS was established in 1995 together with the World Trade Organisation. It disallowed countries from excluding medicines from patentability.

A new study reveals that multinational pharmaceutical companies are exploiting their product monopoly to charge high prices under India's product patent law as well as gradually taking over the domestic generic sector.

The study titled "Multinationals and Monopolies; Pharmaceutical Industry in India after TRIPS" is authored by a well-known researcher on the Indian pharmaceutical industry, Prof Sudip Chaudhari of the Indian Institute of Management based in Kolkata.

The study examines the behaviour of multinational companies (MNCs) in the Indian pharmaceutical market during the period following the implementation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), especially from the date of introduction of the product patent regime on 1 January 2005.

Indian companies such as Dr Reddy's, Aurobindo, Cadila Healthcare and Torrent have entered into supply agreements with MNCs such as GSK, Astrazeneca and Abbot. Dr Reddy's, for example, will supply about 100 branded formulations to GSK for marketing in different emerging markets across Latin America, Africa, Middle-East and Asia-Pacific excluding India.

The study states that "the post-TRIPS environment and the strategy being adopted by the MNCs suggest that they are on the way to dominating the industry again" using the following three ways. "First, unlike in the earlier period, the MNCs are aggressively pursuing growth in the generic segments. Second, they will enjoy monopoly power in the patented drugs market. Third, they have the financial capacity to take over more Indian companies."

"The study points out that the recent acquisition of Indian generics has really helped MNCs to increase their aggregate share in the Indian pharmaceutical market. *Six Indian companies have recently been bought up by multinationals.*

The share of the MNCs in the domestic formulations market has dramatically increased from less than 20% in March 2008 to 28% in December 2010 with the taking over of Ranbaxy by Daiichi Sankyo in June 2008; Dabur Pharma by Fresenius Kabi Oncology in August 2008; Shantha Biotechs by Sanofi-Aventis in July 2009; and the domestic formulations business of Piramal Healthcare by Abbott in May 2010." If this trend continues the Indian drug market will be completely dominated by MNCs in a very short period. Who bothers if millions die due to lack of cheap life-saving drugs? Neither the government of India nor the MNCs.

Surprisingly just ont he eve of Budget 2012-13, Union Government invoked a law permitting the Hydrabad based Natco Pharma to manufacture and sell cancer-treatment drug Nexavar at a price, over 30 times lower than that charged by its patent-holder Bayer Corporation. In other words, the Government can still manage to moderate the medicine market while complying with the provisions of the TRIPS agreement if there is political will. □□□