# US pharmaceutical companies reap huge profits from AIDS drugs

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The international financial crisis and growing world inequality dominated much of the roundtable discussion at the 1999 Annual World Health Assembly (WHA 1999). The World Health Organization (WHO) held its fifty-second annual meeting in May in Geneva, Switzerland. The AIDS roundtable included discussion by health ministers concerning the exorbitant cost of drug cocktails for AIDS patients in poor countries. "WHO should lobby for medicines. If technology is available, no one should be denied it," said J. Kalweo, Minister of Health from Kenya.

Outbreaks of tuberculosis, malaria, sleeping sickness and meningitis, as well as the deepening AIDS crisis, have raised serious alarms from WHO. The AIDS crisis has put increasing health inequalities in the forefront of the major international health conferences.

The severe effects of the world economic crisis on AIDS treatment in one country were clear in the recent WHO report entitled "Funding Priorities for the HIV/AIDS Crisis in Thailand." The report compiled data first presented by the Thai Ministry of Public Health last year. According to the report, the 1998 national AIDS program budget was cut 33 percent in real terms and staggering reductions in prevention and care of AIDS patients were imposed. The budget for vertical transmission (from mother to newborn) was reduced by 76.4 percent. Out of 18,000 AIDS pregnancies expected, only 2,500 of the women could be treated in an attempt to keep their babies from being born with the disease. The budget for universal AIDS precautions was reduced by 72 percent.

The Thai doctors reported that in 1997 of 60,000 AIDS patients, one-third had opportunistic infections (infections taking advantage of the body's debilitated immune system). Treatment for these infections would require 920 million baht, but only 166 million was available. They also reported that the cost of four common drugs for opportunistic infections used at Ramathibodi Teaching Hospital in Bangkok increased an average of 10 percent from 1997 to 1998.

Inequality in medical care in the US as well as between the developed and underdeveloped countries was the focus of a speech by Eric Sawyer of ACT UP/NY at the 1996 XI International Conference on AIDS. "The headlines that PWAS [People With Aids] want you to write from this conference would read: 'Human Rights Violations and Genocide continue to kill millions of impoverished people with AIDS.' ... Drug companies are killing people by charging excessive prices. This limits access to treatments. The greed of AIDS profiteers is killing impoverished people with AIDS."

Many who attended the 1998 World AIDS Conference echoed these sentiments. The XIII AIDS Conference, scheduled for South Africa in 2000, will be even more explosive, as it is taking place in the area of the world where there are staggering numbers of people infected with HIV.

WHA 1999 pledged special efforts would be made to allow countries to monitor world drug price levels, to provide resources related to drug quality, and to disseminate knowledge developed by member countries for promoting efficient use of drugs. The World Health Organization (WHO) has urged countries to use the Internet to advance health cost efficiency, especially in the area of essential drug policy.

WHA 1999 also passed a resolution concerning the World Trade Organization (WTO) law on drug costs. The debate on the resolution has raged for more than a year. In a statement to WHA 1999, Consumers International pointed out that "Enforcement of the WTO regulations will remove a source of innovative quality drugs on which the poorer countries depend. Patent protection for 20 years will increase the access gap between the North and the South." Another organization providing testimony related to new trade laws and intellectual property was Health Action International (HAI).

In late March an international conference of 120 delegates from 30 countries met in Geneva under the auspices of HAI, Médecins Sans Frontières and US consumer advocate Ralph Nader's Consumer Project on Technology to discuss the campaign surrounding Trade-Related Aspects of Intellectual Property (TRIPS.) Thai conference participants said that Thailand was forced to drop its plan to manufacture DdI, to be used as part of a double therapy AZT/DdI, after the US threatened trade sanctions on some of Thailand's key exports. DdI is exclusively marketed by Bristol-Myers Squibb.

Trade sanctions have also been threatened against South Africa if a proposed South African Medicine Act passes. The act would take advantage of parallel importing and compulsory licensing, which are legal under World Trade Organization regulations. Nader contends that such processes can lower drug prices 75 percent or more.

Compulsory licensing enables countries to instruct a patent holder to license the right to use its patent to another party. The drug is manufactured by the country granted the license, at a substantially lower price. The monopoly on sales by the patent holder is thus broken, although royalties are usually mandated in the process. Parallel importing or "gray market" importing takes advantage of substantial price differences from country to country by importing a product to one country and reselling it to another without authorization by the original seller.

The Clinton administration is meeting all threats to the pharmaceutical companies' monopolies and profits with severe action. Nader has charged Vice President Al Gore, the chair of the United States/South Africa Binational Commission, with using "bullying tactics" to prevent South Africa from implementing legal policies designed to expand access to HIV/AIDS drugs.

Nader referred to a State Department report to Congress which said Gore was leading an "assiduous, concerted campaign" by US government agencies—including the Department of State, the Department of Commerce, the US Patent Trademark Office, the Office of United States Trade Representative and National Security Council—to undercut South Africa's policies. Nader called the State Department and administration attack on the South African law an "affront to the sovereignty of Third World Nations."

The March conference took note of the fact that 26 million of the 33 million people infected worldwide with HIV live in sub-Saharan Africa, yet Africa accounts for only 1.3 percent of the global drug market. Currently 3.2 million or 16 percent of South Africans are HIV positive. While the average annual income is $2,600, the cost of retrovirals, drugs which can significantly lengthen a patient's life, run $1,000 per month in South Africa. Other infectious disease epidemics have resulted in record disease rates, which are causing the de-population of some parts of the African continent. Treatments for these diseases are severely curtailed by prohibitively high pharmaceutical prices. Most of the 100,000 people suffering from multi-drug-resistant strains of TB, for example, are unable to afford the new standard combination treatment at $15,000 per course.

The three organizations sponsoring the conference have supported the final draft of the WHA 1999 Revised Drug Strategy Resolution, saying the resolution “will soften the negative effect of new global trade rules.” However, some countries that supported the resolution nevertheless voiced serious reservations. The Philippines delegation pointed out that the TRIPS agreement is not sufficient for the requirements of some WHO member states, particularly those who are developing or least developed. They maintained that provisions in the resolution urging member states to ensure that public health interests are paramount in pharmaceutical and health policies must mean “that in the formulation and implementation of pharmaceutical policies, public health concerns take precedence over commercial, trade and other economic interests.”

In April, 16 people were arrested in the US outside a Washington, DC pharmaceutical industry trade office. They were protesting a bill that would further undermine efforts to use special WTO provisions to encourage production of cheaper drugs. The Africa Growth and Opportunity Act, sponsored by Congressman Charles Rangel (Dem.-N.Y) and Philip Crane (Rep.-Ill.), would set up a Free Trade Zone in 48 sub-Saharan African countries. The bill is on a fast track in the US Congress, and is backed by the Pharmaceutical Research and Manufacturers Association (PhRMA), the American pharmaceutical industry group.

Protesters said the bill contains language that gives additional protection to US drug patents and would prop up the price of disease-fighting drugs on a continent where 70 percent of the world's new AIDS cases are reported. "We're not going to allow our president and vice president to bully and harass and kill people in Africa," Julie Davids of ACT UP/Philadelphia told the rally.

There are other health related issues affected by the use of patents to support high profits. The burgeoning biotechnology industry is trying to protect investments that anticipated huge profits by taking advantage of patent law. Attempts are being made to patent whole genetic sequences. In one example, the Meningitis Research Foundation warned that Human Genome Sciences, which has applied for the patent on the sequence for bacterial meningitis, could use their patent to demand royalties for any vaccine developed by the foundation.

Recent history shows many examples of the use of patent law to protect drug companies' profits. In 1993 Bristol-Myers Squibb was criticized when they announced a wholesale price of $4.87 per milligram of Taxol, an important cancer drug. Bristol-Myers Squibb acquired the drug in bulk from a contractor at $.25 per milligram. DdI, the AIDS drug, was also priced far above Bristol-Myers Squibb costs. The life saving drug was invented by the US government but was exclusively licensed to Bristol-Myers Squibb.

Mergers between pharmaceutical companies have also created giant monopolies on health-related products that the merged partners once competed to produce.

US domestic drug pricing has also received a boost from the Clinton administration. In April, 1995 the administration sided with the pharmaceutical companies by repealing the 1989 law requiring products developed in part due to research at National Institute of Health (NIH) laboratories to be reasonably priced. It is estimated that the federal government funds fully 38 percent of US healthcare research while 10 percent is funded by other government agencies and nonprofits. The private sector funds about 52 percent of total healthcare research, but reaps most of the profits.

At an AIDS trade show last year, AIDS activists demonstrated against Glaxo-Wellcome for "putting greed before people's lives." Glaxo said it would limit access to the new HIV drug Abacavir (1592) to 2,500 people worldwide. AIDS drugs currently on the market are failing more than 10,000 people with AIDS. Although 1592 was invented in 1989, the protesters say unnecessary deaths are due to Glaxo-Wellcome's plan to maximize profits on the marketing of AZT until the patent runs out.

They also accused the giant pharmaceutical company of dragging its feet on developing the protease inhibitor 141 W94 that it purchased from Vertex. Glaxo raised the price of AZT and 3TC 3 percent in 1998. AZT has reaped $2.6 billion in sales. ACT UP demanded lowered standards for viral load and CD4 cell counts to determine that older drugs have failed, and to determine who will get the new treatment. They were incensed when the company proposed lotteries to determine who gets the new drug.

Recently ACT UP/NY studied several companies' annual reports and cited figures for profits based on net income/sales. They were four to five times higher for the drug companies than for non-drug industries. While AT&T reported a 2 percent profit, Texaco 3 percent and Chrysler 3 percent; Merck reported 22 percent, Abbott 16 percent and Roche 18 percent. Glaxo-Wellcome, the maker of AZT, reported a 23 percent profit. A 1998 congressional minority report on pharmaceutical profits put them even higher, at nearly 29 percent for the US drug manufacturers.