Real threat to health care in Third World

Health Dawn 9.6.03

By Humeira Iqtidar

WHILE media reports focus on numerous countries grappling with the outbreak of Sars, it by no means represents the principal threat for health care in the Third World. For all its menace, Sars pales in comparison with the much more dangerous threat that is posed by the increasing subjugation of our health-care systems to the greed of the international pharmaceutical and health management industry.

The rapid privatization of health care being undertaken by IMF's clients is threatening to leave large numbers of people around the world vulnerable to various diseases as proper health care moves out of their reach. Medical journals boast of unprecedented advances in scientific knowledge of the human body, but millions of people around the world are dying of entirely treatable ailments such as tuberculosis and malaria.

While the world's attention was focused on Iraq and the discrediting of the UN, the wilful undermining of another international body by the US has gone all but unnoticed. The WTO has, in the current unilateralist view of the Bush administration, outlived its usefulness, and the pharmaceutical industry's lobby provided the impetus to make this break.

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However, it has been established over several years now that their R&D figures are bloated, and that they spend more on marketing than on R&D. Analysis of the industry's tax information shows that in 2002 the industry overall spent 27 per cent on marketing and 11 per cent on R&D.

In fact, during the 1980s and 1990s management fad of focusing on core competencies, many pharmaceutical companies identified marketing and branding as their core competence rather than R&D or manufacturing. They were happy to outsource some R&D to subcontractors.

In addition, R&D is often subsidized by research done in universities or through government grants to the industry, which the industry includes in the total cost. For instance, the group

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tion, around the globe that international capital is looking for openings.

A first step towards complete privatization has been taken in Britain for instance, in the form of Public Finance Initiatives (PFI), which legitimize the investment of private capital into the public sector. Although these initiatives have largely failed, the British government is strangely persisting against popular opinion.

In 2002, George Monbiot, a British journalist, pointed out that this seemingly irrational behaviour might be because PFIs are fast becoming a big export market for the UK. They need to be kept alive in some form in the UK in order to be sold overseas. He documents how since 1996 the British government has been sending delegations to convince the South African government that the private finance initiative was "maximizing efficiency" in hospitals, etc. One of the key selling features to other countries is the fact that "the full spectrum of techniques" has been "tried and tested in the UK".

Soon after coming into office Tony Blair's government sent the biggest UK health-care trade mission ever to South Africa to clinch the deal. In 2000 South Africa signed the first contract for PFI hospital schemes. Of course, companies that had "tried and tested" the model in Britain gained lucrative contracts.

And while it continues to support privatization of health care in developing countries, the UK government, under pressure as a result of the failures of PFIs at home, continues to explore other options. In 2000 the UK government dispatched a team to study the health-care sector in Cuba.

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Admittedly, both the UN and the WTO are largely tools of US policy. They serve the useful purpose of legitimizing decisions made in corporate headquarters in New York or in Washington as the will of all the countries involved. However, by the very fact of having a membership wider than the World's sole superpower, both the UN and the WTO are sometimes forced to reflect the tide of world opinion that is rising against wars and unfettered corporate globalization respectively. This is the sin for which they have been sidelined by the arrogant Bush administration.

In the case of the WTO, pressure building up since Seattle 1999, had forced it to ratify an agreement in Doha (2001) whereby poor countries could import generic drugs if there was a major public health concern like AIDS in Africa. There are 29.4m mostly very poor people currently afflicted with AIDS in sub-Saharan Africa. Many lives can be saved if they have recourse to generic drugs that are often many times cheaper than what the big pharmaceutical companies charge.

After initially agreeing to the Doha Declaration, which was the result of desperate pleas from afflicted countries as well as sustained activism by grassroots organizations, the US decided to unilaterally withdraw from it in February 2003. The $60 million donated by the pharmaceutical industry to Republican electoral victory has not been in vain. The influence of corporate interests in the White House is immense. The largest pharmaceutical company in the world is based in the US, and was one of the companies lobbying energetically against concessions over Doha.

What is at stake here? The pharmaceutical industry is one of the most profitable in the world, with profit margins at 18.5 per cent. Top pharmaceutical companies are among the biggest commercial enterprises in the world. For instance, with a stock market value of $180bn, Pfizer ranks fifth among the world's biggest companies.

The pharmaceutical industry owes its wealth to extremely high barriers to entry into this field, including high expenditures and the patent system. Ostensibly, patents are granted to pharmaceutical companies to allow them to recoup the resources invested on R&D (research and development). For decades, pharmaceutical companies have justified the exorbitant prices of drugs by

like Pakistan, pay the exorbitant prices for patent-protected medicine, they are paying largely for the costly marketing that the pharmaceutical companies have done to promote those brands rather than for the research. This falsifies the fundamental justification for patent protection.

Medicins Sans Frontiere (Doctors without Borders), an organization of volunteer doctors who work in the poorest countries, has suggested that while the pharmaceutical industry claims that it costs $800 million to develop a new drug, research by the Global TB Alliance puts it at around a maximum of $240m and an average of $40m.

Thus, when consumers around the world, but especially in developing countries like Pakistan, pay the exorbitant prices for patent-protected medicine, they are paying largely for the costly marketing that the pharmaceutical companies have done to promote those brands rather than for the research. This falsifies the fundamental justification for patent protection.

The Doha round allowed some, not all, poor countries to avoid bypass paying for patent protection. Looking at it from the pharmaceutical company perspective, one realizes that there is a real danger in this. In the short term this would have saved a few million lives in the Third World. But in the longer term it could have strengthened the demand for generic medicines and changes in patent protection, the source of these corporate giants' wealth. The arithmetic maths just did not add up for the pharmaceutical companies and so they pulled the plug on the Doha agreement.

The move by this industry to protect their 18.5 per cent profit margins, at the cost of millions of lives in the developing world, is made only more grotesque when one looks at what the top executives are paid for formulating such policies. GlaxoSmithKline, the second largest company in the world after Pfizer, is proposing to pay its CEO 22 million pounds in severance pay. He was the highest paid executive in Britain in 2002.

These mega pharmaceutical companies are aided in their stratagem by other stalwarts of international health care who are eager to make similar profits at the expense of desperate patients. As the manufacturing sector's potential for growth diminishes, it is in the service sectors, like health and educa-

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Cuba has a social welfare system under which health care is free to all and the overall quality of its system is among the best in the world. It is extremely cost-effective and patient-centric, precisely the results the UK British National Health Service is looking for. Health care costs #750 a head annually in the UK compared to seven pounds in Cuba. There is one family doctor per 500-700 people in Cuba, compared to one for 1,800-2,000 in the UK. The much smaller Cuba has 21 medical schools, whereas Britain has 12.

As we in Pakistan, allocate a meagre 2.8 per cent of our budget to health sector while a whopping 40 per cent goes to defence, we need to reassess these priorities. The government introduced boards of governors in teaching hospitals in Punjab, which marked the beginning of widespread and continuing agitation. The BoGs have huge discretionary powers especially relating to hiring and firing of staff and doctors, sale of all property and assets, and, significantly the hiring of any other body to perform any of the functions of a BOG.

The protesters claim that these BOGs are the first step in the privatization of public hospitals brought forward by the WTO deadline to Pakistan and other countries to declare whether our health-care sector is available for international investment.

In response to these protests the Punjab government set up a commission under Justice Mujaddid Mirza, which submitted its report to Punjab Chief Minister Chaudhry Pervaiz Elahi on Jan 31. It is widely believed that the commission recommended abolition of BOGs. The Punjab government has predictably held back the publication of this report so far.

If the formulation of BOGs in teaching hospitals in Pakistan is not motivated by international and local pressures to open up the health sector to private investment, the government has nothing to lose by publishing the commission's report. If it believes that there is a viable case for privatization of hospitals, it should open the field for discussion on the issue.