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## **Bush seeks policy fix for drug imports**

By Christopher Rowland, Globe Staff | July 13, 2004

President George W. Bush has turned to international trade policy as he looks for ways to protect the US pharmaceutical industry from importation of cheaper prescriptions from countries with price controls.

The president's approach is to stem the flow of prescription drugs from abroad while simultaneously encouraging higher prices overseas. The provisions are contained in a free-trade agreement with Australia that is expected to be debated in the House and Senate this week.

The policy, which could have broad implications for foreign drug imports, would enhance existing prohibitions in both countries on the unauthorized importation of pharmaceuticals from Australia to the United States. It would also allow US drug companies to appeal prices and policies if they thought Australia's caps on drug prices were too low.

Some Democrats who support an effort to legalize importation were highly critical yesterday of the proposed pact with Australia.

"It's a way to thwart efforts to put downward pressure on drug prices," Democratic Senator Byron Dorgan of North Dakota, sponsor of Senate legislation to legalize imports, said in a telephone interview. "It's anticonsumer," he said, accusing the Bush administration of "negotiating on behalf of the pharmaceutical industry."

Another opponent of the pact is Democratic Representative Sherrod Brown of Ohio, who called it "outrageously arrogant" for pharmaceutical companies to seek ways to undermine foreign price controls.

"For US drug companies to come in and tell Australians that 'We don't like the way you price your drugs,' is obscene," said Brown.

The Bush administration said its policies have not taken a new direction. The trade agreement's implications for drug policy were first reported by The New York Times yesterday.

"Whether pharmaceuticals can be imported safely, and patent rights – are the same as previous administrations," said Neena Moorjani, a spokeswoman for US Trade Representative Robert B. Zoellick. The moves would have little immediate effect on Americans who are increasingly ordering low-cost drugs from countries with price controls. The flow of drugs from Australia is a trickle compared to Canada, where Internet pharmacies are shipping at least \$700 million a year in prescription medications to the United States. But the agreement could become a model for US negotiations with other trading partners.

Large pharmaceutical companies dominate the marketplace for brand-name medicine throughout

the western world, but there are big disparities in price for the same medicines, which have attracted the attention of Americans, who have endured skyrocketing drug prices at home. Identical drugs made by the same manufacturers can be 20 to 80 percent cheaper in Australia, Europe, Canada, and other countries with government price caps.

Some states and cities, including Boston and Springfield, have adopted Canadian prescription buying programs to lower costs. Recently, a bipartisan group of US senators has attempted to legalize consumer imports.

It is the first concrete evidence of an economic idea voiced last year by Mark McClellan, the former commissioner of the Food and Drug Administration. McClellan theorized that the way to stop the illegal flow of drugs into the United States was to raise prices overseas, reduce the disparities, and take away the incentive for American consumers.

The US and Australian governments sought to downplay the significance of the pact's effects on prescription drugs. They said the pact reflects patent and intellectual property rules that are already in place in both countries. The drug industry, meanwhile, said it is trying to fight unfair pricing structures that have been imposed by foreign countries.

"No one accuses the computer industry or the software industry or the insurance industry, when they face trade barriers and unfair policies, of arrogance," said Geralyn Ritter, vice president for international affairs at the Pharmaceutical Research and Manufacturers of America, the industry's Washington lobbying group. "We just want to be treated like any other industry that creates a lot of jobs."

Bush and Republican leaders in Congress adopted the drug trade policy with the strong support of the pharmaceutical industry. A spokesman for Republican House Speaker Dennis Hastert of Illinois said yesterday the speaker urged the administration to follow this course and would like to see it expanded to trade pacts with other countries. Hastert included a measure in last year's Medicare prescription benefit requiring the US trade representative to study the issue and make a report.

What's more, Australia already has a national law, passed in 1999, that prohibits export of drugs subsidized under the national health plan. Anyone engaged in the practice is subject to a penalty of two years in jail and a \$5,000 fine.

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