

Apartado de Correos 152F  
Caracas - Venezuela

October 23, 1963

Mr. William Medd  
The New York Herald Tribune  
New York, N.Y.  
U.S.A.

Dear Bill:

This is to keep you posted.

Among the many items currently of interest, today the local press publishes a statement of Dr. Oscar Centeno, President of the Federal District Pharmacists College, to the National Executive Council of the Venezuelan Medical Federation, on the high cost of drugs here. Said paper is full of pertinent data, but the most important point is that, during 1962, the Venezuelan gross national product amounted to more than Bs 28,000,000,000, while during the same year the Venezuelan advertising firms handled a total volume of Bs 150,000,000,000 direct advertising investments (not handled by said agencies) was in the order of Bs 50,000,000,000. This means that Bs 200,000,000,000 were spent to stimulate the sales of products and services totaling Bs 28,000,000,000, that is, a ratio of less than 1%. Dr. Centeno further points out that the drug firms sold during the same year Bs 105,000,000,000 of prescription drugs (at the manufacturers' selling price levels) and spent in excess of Bs 50,000,000,000 to foster such sales by means of medical detailing and other forms of sales promotion. The Bs 105,000,000,000 figure becomes Bs 280,000,000,000 at the price to the public level. This means that the consumer is shouldering an economic burden of more than Bs 120,000,000,000 a year because of the promotional activities of drug companies here in the prescription field.

The next news worthy item is that the Ministry of Development revised the prices to the public last August, of more than 9,000 pharmaceuticals; over 5,000 such items kept their former prices, about 3,500 experienced a price reduction and over 1,000 had the benefit of price hikes. The industry has reacted in a concerted manner by taking steps to eliminate any extra discounts and other extra benefits to the trade, selling to wholesalers and retailers with the minimum legal gross profit margins stipulated for pharmaceuticals by the Ministry of Development. By so doing, i.e., by modifying the traditional price structures that had existed here for decades, the industry has caused retailers and wholesalers to find themselves in a very critical economic situation which threatens in a bankruptcy of hundreds of drug stores and "drug counters" throughout the country. The local press is presently full of news re-

this situation, and no satisfactory solution is yet in sight. The manufacturers' attitude is reportedly spearheaded by the major U.S. drug companies operating in Venezuela. As all the published material is in Spanish, I am not sending it to you now but could be yours for the asking; please let me know.<sup>31</sup>

I think that if you came to Venezuela within the near future you could really go back with quite a drug story.

Best regards,

*Rafael*  
Rafael N. Silva

P.S.

The above gross profit battle will be a major item for the <sup>debate</sup> ~~date~~ at the Annual Convention of the Venezuelan Pharmacists, scheduled to begin tomorrow at the city of Maracay. I shall be in attendance and will be happy to report to you later.

*WRS*

Jane Chrekjian

HEARALD TRIBUNE: Special Investigation by W. Haddad and M. Steadman on the Drug Industry (Sept. 11, 1963-Oct. 29, 1963)

The five articles written by Haddad and Steadman concerned drug industry pressure on McKesson and Robbins in an attempt to stop them from selling drugs under generic names in Colombia.

In 1962, the President of Colombia, Alberto Lleras Camargo, instituted a new generic drug program and invited all major drug firms to participate. McKesson and Robbins was the only firm to accept the offer. They bought a 50% interest in a Colombian drug manufacturer, Droguerias Aliadas, Inc.

McKesson proceeded to market X2 pain-killing, life-saving drugs at reduced rates. The drug industry in Colombia which includes 15 American firms fought back. McKesson told Estes Kefauver that it was the victim of a "concerted and malicious campaign" to stop the generic program and prevent its spread to other sections of the world, including the U.S.

Kefauver issued subpoenas to seven American drug firms and the FWA. There was a great deal of opposition in his own committee concerning investigating McKesson's charges. The return date of the subpoenas was delayed three times and a motion was pending in the subcommittee to kill the investigation.

On June 25, 1963 Herman Nolen, chairman of McKesson testified at a secret session of the Senate Foreign Relations Committee. He said that his company was meeting "organized interference" which seriously endangered the Colombian generic program.

Herald Tribune reporters investigated Nolan's charges and

found the following examples of industry opposition to the cut-rate drug plan: June 14: Dr. Jose Fatino, Minister of Health for Colombian disclosed the minutes of a secret meeting in Washington, D.C. on Jan. 14 between the drug manufacturers of the two countries. Dr. Fatino said that a representative of the Colombian drug industry association demanded steps to achieve intervention by the U.S. government with Colombia to modify the generic drug plan. American drug manufacturers proposed an alternative plan to contact the State Department and the Alliance for Progress program director "to mobilize official support". A high official of the PMA admitted that his organization did take its case to the State Department. He stated: "We went to the State Department, not to protest the decision of the Colombian program to order the sale of generic drugs, but to protest that at least 12 of the drugs in the decree were patented products. We asked State for assistance in protecting these rights." Thus far the State Dept. hasn't intervened. Dr. Fatino also said that he had evidence of a campaign that is purposely altering generic drugs.

Colombia's generic drug program is spreading rapidly to other South and Central American countries. McKesson has bought a half interest in a Venezuelan firm and is beginning to market low-price drugs there.

On Feb. 9, 1963, representatives of the Venezuelan drug industry met to hear a Colombian industry spokesman on the subject of generic drugs. At the meeting were executives of 10 large U.S.

drug firms. According to the confidential memo on the meeting submitted to the subcommittee by the Herald Tribune, the guest

speaker from Colombia, Dr. Anibal Fernandez, warned that if the McKesson program spread throughout Latin America, "our industry will face a very dark future". He urged "international interdependence" and a "preventive public relations program emphasizing such things as drug industry employment, research contributions and high quality of trade names". Dr. Fernandez said that a costly public relations program was being carried on by the Colombian drug industry in newspapers, radio and television.

"Doctors are also being bombarded with suitable material", he said. "The results are quite uncertain, because it is easy to fight a government but impossible to counter private industry activities such as McKesson's". He told the Venezuelans that one way to keep McKesson out of their country would be to convince the Government in advance "on the importance of industrial stability, generous employment, importation of capital, etc."

In five Central American countries- Guatemala, Honduras, Nicaragua, Panama and Costa Rica, McKesson tried to open operations but was rebuffed. In Costa Rica, Jorge Van der Laat, manager of the largest drug distributor and president of the pharmacists association there, was originally very receptive to overtures from McKesson. But he suddenly changed his mind saying that "I studied the situation; I wrote to foreign countries; I investigated locally and reached the conclusion, which I still maintain, that McKesson-Allidas in Central America will damage the Central American

pharmaceutical industry . . . and we will do everything in our power to see that, through every Central American Association, McKesson does not establish in Central America."

The late Sen. Kefauver, in a letter to the FWA stated his views as to what was behind the struggle to prevent the sale of low-price generic drugs: "Such information as we have now indicates that the main issue is simply the desire of some major American drug companies to continue to sell drugs in Latin America at these exorbitant mark-ups, a willingness on the part of some other American companies to sell at more modest though still satisfactory mark-ups and certain alleged concerted efforts on the part of the former to prevent the latter from doing so".

#### Subcommittee Investigation:

Senate subcommittee planned to investigate:

- (1) a worldwide effort by drug manufacturers (including some in the U.S.) to deny patented drugs to McKesson for use in its low-cost drug program overseas.
- (2) an effort by Colombian drug firms to force McKesson out of their markets.
- (3) an effort by American manufacturers to frustrate the sale of low-cost drugs in Central America.
- (4) an effort (though unsuccessful) by drug manufacturers to enlist the support of the State Department to kill the low-cost drug program in Colombia.

Mr. Nolan had already testified about organized interference in McKesson's program to provide low-cost medication. He said that his company could maintain low price levels and still make a "reasonable profit." He said the program was not affecting trade-name drug sales, but that the drugs sold under generic names were reaching new markets in Colombia, mostly the poverty-ridden campesino class. He said those drugs were internationally known through their chemical name and required little or no promotion among doctors and pharmacists, thus reducing operating costs.

Mr. Nolan made the following accusations:

- (1) Major pharmaceutical manufacturers refused to sell bulk materials for the low-cost drug program.
- (2) Doctors were advised that it was impossible to produce quality pharmaceuticals at the low prices. Retailers were told by the drug industry that generics would bankrupt their business.
- (3) Medical journals in South America refused generic drug ads and wrote critical editorials and stories.
- (4) Rival drug concerns opened up generic drug packages and contaminated the low-cost drugs.
- (5) Potential partners in South American countries were pressured to rebuff McKesson.

The drug industry was represented on the subcommittee by Dirksen, supported by Hruska, Keating and Long. Dirksen was successful in having subcommittee turn for 'counsel' to the Senate Foreign Relations Committee which Kefauver bitterly opposed. May 27,

subcommittee met with Foreign Relations Committee and argued about the jurisdictional problem which Kefauver lost.

Thomas Corcoran represented the drug interests and Assistant Secretary of State Edwin Martin argued the State's position. The industry argued:

- (1) disclosure of matters called for would gravely injure U.S. pharmaceutical industry in its Latin American operations and would endanger all private foreign investment in the area.
- (2) industry was working toward solutions of its own problems.
- (3) balance of payments would be hurt if overseas drug profits were cut.
- (4) if industry produced its records for the subcommittee, the information contained in them might be inimical to the foreign policy of the U.S.

After the session the Foreign Relations Committee advised Kefauver that the investigation should be conducted either by the Dept. of State or Justice. Yet the State already said it couldn't conduct the investigation because they didn't have the resources, and the Justice said it could only look into possible violations under anti-trust laws.

McKesson supporters said "This is exactly what was designed to happen".

Dr. A. Smith, president of the FVA, said that no conspiracy existed to block the low-cost sale of drugs by generic name. Another official of the FVA said that their "only concern is with the question of patents which we consider to be a sacred right."



Then asked if his organization or any member firms had engaged in any activities designed to block McKesson in its Colombian efforts to answer, "Our only action was to approach the U.S. State Dept. and ask for their assistance in protecting patent rights."

Secret Code in Drug Documents

World Tribune uncovered secret documents of a world-wide cartel that raise drug prices. Several U.S. pharmaceutical firms are involved as well as some German and Italian companies. As a result of the cartel drug prices have been kept unrealistically high.

Among the papers was a secret code to disguise price fixing arrangements communications.