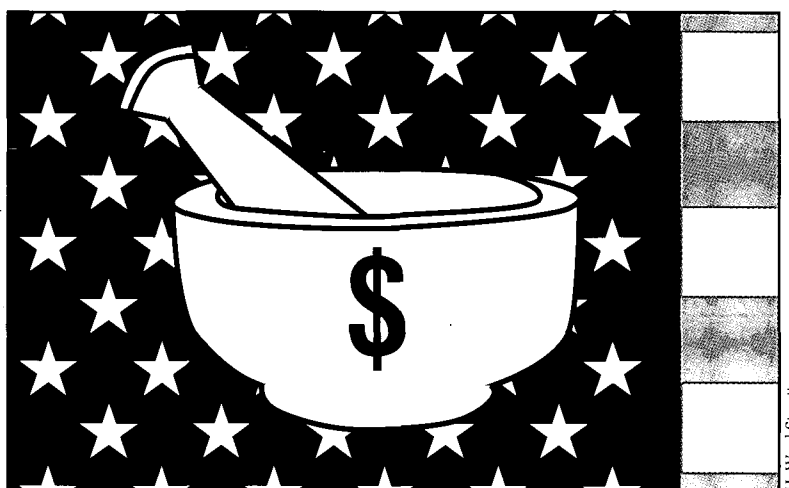


The Global Pharmacy

A Reason for Americans to Love Canada

by Kevin Michael Grace



Asked when he became so obsessed with voting, the antediluvian Professor Farnsworth on *Futurama* replied, "The very instant I became old." Politicians know only too well that Americans 65 and over vote at twice the rate of 18- to 34-year-olds. So what "senior citizens" want, they usually get. What they want now are cheap drugs to treat their myriad of ailments. If they cannot get them in the United States, they will get them from Canada or elsewhere. Despite this being an election year, George W. Bush has decided the aged are one more group that he can alienate. He prefers illegal aliens to "illegal" pharmaceuticals.

Of course, it is not only the aged who are obsessed with drugs. From cradle to grave, there is practically no human condition Americans do not consider a "disease" with an appropriate prescription medication to treat it: fidgeting, sniffles, heartburn, smoking, anxiety, shyness, melancholia, baldness, menstrual lousiness, and all the states associated with the male and female sexual climacterics. There are over 20 million prescriptions for Ritalin and its imitators in child management written every year, while scripts for the various antidepressant SSRI's (selective serotonin reuptake inhibitors) reached an incredible 142 million in 2003.

According to a March report by IMS Health, global pharmaceutical sales reached \$491.8 billion in 2003, an increase of nine percent from the year before. North American sales, which increased 11 percent, were \$229.5 billion, 47 percent of the world total. These figures represent the triumph of an industry that has not only produced a Brave New World where people "carry at least half [their] morality about in a bottle" but has succeeded in making Americans pay the highest drug costs in the world.

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According to the *Toronto Globe and Mail*, "Canadian drugs . . . are priced roughly 44% to 78% lower than in the United States." The paper attributes the disparity to "price controls, currency exchange rates and the buying power of large public sector drug plans." These are also the reasons U.S. drug companies cite. What they would prefer not to admit, however, is that they somehow manage to make tidy profits selling the same drugs to Canadians for much less than they charge Americans. In other words, they charge whatever the market will bear.

Yet, as we are constantly reminded, the global economy, which annihilates borders, lowers prices ceaselessly. American drug prices were first reduced by the buying power of discount-drug chains. Then came the national internet pharmacies, which reduced prices by dispensing with bricks and mortar. They were followed by the international internet pharmacies. Previously, low Canadian drug prices could be exploited only by Americans who lived close to the border, like 77-year-old Helen Clark of Kennebunk, Maine. As *Time* reported in January, "[Clark] joins other seniors in her state on overnight bus trips to St. Stephen, N.B., just across the border from Calais, Maine. On a trip last November, Clark [bought] a six-month supply of medications for a little more than \$1,000, a cache that she estimates would have cost about \$3,000 in Maine . . ."

Canadian internet pharmacies make savings like Clark's available to any American with a computer and modem. Many U.S. states, drugstore chains, and insurance companies encourage this bargain hunting, while cities such as Springfield, Massachusetts, now buy Canadian drugs for their employees. These developments infuriate U.S. drug companies, the Food and Drug Administration, the Heritage Foundation, the Cato Institute, and quite a few legislators, mostly Republican. Canadian drug exportation to the United States doubled in 2003 to a retail value of about one billion dollars. IMS Health estimated last year that only one of 100 Americans were buying medicines

from Canada but warned, "The danger for the drug industry is that if they don't stop it now, it could grow to 20% in five years, and then it would have an impact on the bottom line."

The drug companies are not prepared to wait. Pfizer, Astra-Zeneca, Boehringer Ingelheim, GlaxoSmithKline, Eli Lilly, and Wyeth have ordered Canadian pharmacies and wholesalers to stop selling to Americans (in person or by mail, directly or indirectly) or suffer a cutoff of supplies. Some Canadian drugstores have already gone out of business as a result, while others are experiencing shortages.

The legal status of drug importation is murky. Many claim that it is "illegal" for Americans to buy drugs from foreign sources. Yet the FDA has acted only against drug-importing businesses, not individuals. Legislation passed during the Clinton administration has allowed the secretary of health and human services to authorize drug importation, but no secretary has done so. Current secretary Tommy Thompson announced in May that he no longer opposes the practice, but the Bush administration is said to be "adamant" in its opposition. Legislation to force the federal government to legalize foreign importation fully, so long as the safety and purity of the drugs can be assured, was passed by the House last year but died in the Senate. Passage of an importation bill is more likely this year but will need to overcome the resistance of Senate Majority Leader Bill Frist. An AP poll reveals that two thirds of Americans favor passage.

Despite FDA posturing, the legal status of the entire American drug industry, wholesale and retail, is murky as well. According to a doom-mongering 2003 *Washington Post* report:

In the past few years, middlemen have siphoned off growing numbers of popular and lifesaving drugs and diverted them into a multibillion-dollar shadow market. Crooks have introduced counterfeit pharmaceuticals into the mainstream drug chain. Fast-moving operators have hawked millions of doses of narcotics over the Internet.

The result too often is pharmaceutical roulette for millions of unsuspecting Americans.

When Willie Sutton was asked why he robbed banks, he replied, "Because that's where the money is." The *Post* seems shocked that crooks would be drawn to an industry with annual revenues of \$200 billion. That the internet drug market is rife with villains is obvious to the millions of Americans forced every day to delete dozens of deliberately misspelled spam messages inviting them to "SStrenngthen yyour mannhood, wiith Cciaalis." However, buying medicine from Canadian websites is safer than buying from American websites and may actually be safer than buying from many American storefront drugstores.

The Government Accounting Office investigated internet drugstores in the United States, Canada, Mexico, Spain, the Philippines, and elsewhere and released its conclusions in a June report. The GAO obtained 11 different drugs—including "highly addictive narcotic painkillers"—from 68 different pharmacies. All 18 of the Canadian internet pharmacies required written prescriptions from patients, while only five of the 29 American sites and none of the others did.

The GAO study found that internet pharmacies outside Canada and the United States routinely delivered improperly pack-

aged—and sometimes counterfeit—drugs without labels or instructions. Nine U.S. sites and four non-North American sites (but only one Canadian site) were found to be "under investigation by regulatory agencies for reasons including selling counterfeit drugs and providing prescription drugs where no valid doctor-patient relationship exists."

However, "Manufacturers found most of [the drugs] from Canada to be unapproved for the U.S. market; [but] manufacturers determined that the chemical composition of all drug samples obtained from Canada were comparable to the product GAO ordered."

The GAO caveat concerning the provenance of drugs exported from Canada is tautological. The only drugs FDA-approved for the U.S. market are those produced by factories licensed by the FDA to produce drugs for the U.S. market. Drugs produced in America (or elsewhere) for the American market that are then exported to Canada (or elsewhere) and then imported into the United States are, by definition, unapproved. FDA-approved drugs are increasingly produced abroad, by countries that offer tax incentives (such as Ireland) or low wages (such as Singapore). Foreign factories, once approved, are not then subject to much (if anything) in the way of further regulation.

Arizona Sen. Jon Kyl was irritated by the media response to the GAO report, which was characterized by such headlines as "Few problems found at Canadian Internet pharmacies." He informs us ominously that "The Washington Policy Center recently noted that the drugs [Canadian websites] sell to Americans can actually be from Iran, Argentina, South Africa or Brazil," thus implying falsely that the drugs Americans buy at their pharmacy counters are manufactured in the United States.

Senator Kyl is much concerned with safety, particularly the safety of America's young. He writes,

Lives are literally on the line, as my colleague Senator Norm Coleman of Minnesota recently illustrated in a *Wall Street Journal* op-ed. He told the story of Ryan Haight, a 16-year-old honor roll student in La Mesa, California who died from a mixture of hydrocodone, morphine, Valium and Oxazepam obtained from Internet pharmacies.

Are we to believe that, if internet pharmacies were eliminated, 16-year-old Californians would be unable to procure lethal doses of psychotropic drugs, legal or otherwise? Has Senator Kyl heard of Rush Limbaugh? Rush did not need an internet pharmacy or a valid prescription to buy enough hydrocodone and OxyContin to (as his housekeeper/supplier put it) "kill an elephant." (According to the Associated Press, Senator Coleman "is among the lawmakers who recently abandoned opposition to importing drugs.")

According to Senator Kyl, America's elderly should look to the U.S. government, not to Canada, for cheaper drugs. He claims that the Medicare Modernization Act will not only "provide relief to seniors who are struggling to purchase affordable drugs" but will also "reduce the costs of prescription drugs." While it is true that the act gives means-tested seniors a \$600 prescription credit and provides discount-drug cards to all over 65, the drugs themselves will be no cheaper—Uncle Sam will now tax all Americans to line the pockets of Pfizer, GlaxoSmith-Kline, *et al.*

If Senator Kyl's objection to drug reimportation is dishonest, George Mason law professor Michael Krauss's is downright

hysterical. In a op-ed written for Fox News, he claimed drug importation is “an invitation to terrorists.” How so? Foreigners could poison drugs destined for the United States. That being the case, one would expect Krauss to demand an end to the outsourcing of American drug production. But why stop there? Given America’s enormous trade deficit, what is to stop these foreigners from poisoning America’s food and sabotaging America’s machines? The logical outcome of Krauss’s fear is American autarky, a funny position for a free-trader to be in.

Free-traders Doug Bandow of the Cato Institute and Nina Owcharenko of the Heritage Foundation oppose drug importation because they claim it is not free trade at all, as the rest of the world gets a “free ride” on American pharmaceutical research and development. Writing in *National Review*, Bandow argues that importation constitutes “confiscating the wealth of drug-makers.” Moreover, it would result in “Canadian-style, or even Mexican-style, prices in the U.S. That, in turn, would mean Canadian-style or Mexican-style access to drugs in the U.S.”

Both Krauss and Bandow labor under the illusion that America has a free trade in drugs. Lew Rockwell, another free-trader, noted that Bandow’s essay ignores the “anti-competitive FDA,” the “anti-competitive patent laws,” and “the vast, artificial stimulus to demand from Medicare, Medicaid, and a hundred other welfare programs . . .” Not to mention the billions in R&D monies and tax credits the pharmaceutical industry receives from governments and government-funded institutions.

Heritage’s Owcharenko shares the free-trade illusion of Messrs. Krauss and Bandow. Like them and Senator Kyl, she claims to be concerned about “safety.” She is also seriously misinformed about Canada’s socialist healthcare system:

When government is the single or major purchaser of pharmaceuticals and other health care services, as it is in Canada, prices are fundamentally distorted. The government leverages its bulk purchasing power to “negotiate” prices with pharmaceutical manufacturers. However, since there is only one major purchaser of these goods and services and no real consumer-based market for these products, the government retains the ability to dictate a fixed price with little or no regard for real market prices.

Drug prices are controlled in Canada, as they are everywhere outside the United States. The federal government, however, has almost no direct involvement in the provision of healthcare. All it does is set standards and pay about one fifth of the cost. The 13 Canadian provinces and territories administer 13 separate healthcare systems. No Canadian government has nationalized the provision of pharmaceutical drugs. Canada has private wholesalers, just as America does. Even within the jurisdictions, healthcare administration is largely decentralized. In any event, the idea of mighty Canada—population 31 million—humbling American drug companies is laughable. And what is wrong with buyers seeking to leverage economies of scale? American governments do this every day.

According to the OECD, Canada’s *per capita* healthcare expenditure is \$2,391 per year, less than half of the United States’s \$5,297. Total Canadian healthcare costs are about \$100 billion annually—one third of what Medicaid alone will cost American taxpayers in 2004 and one half of what America spends just on pharmaceutical drugs every year.

Owcharenko is right about one thing: Canada is not a long-

term solution to high American drug prices. The strong-arm tactics of GlaxoSmithKline and the rest are clearly an attempt to force the Canadian government to ban drug exports by threatening all Canadians with shortages. Canada has no interest in fomenting a trade war with the United States, but the drug companies’ position is not as strong as it might seem. If they feel so strongly about the injustice of selling their products “at less than market value” (as Owcharenko puts it), they could always quit the Canadian market. So why don’t they?

Canada, like the United States, is bound by the WTO Agreement on Trade Related Intellectual Property Rights (TRIPS), which enforces drug patents for 20 years. TRIPS allows member countries to break patents “if required in the interests of public health.” In 2001, the Canadian government broke Bayer’s patent of the anti-anthrax drug Cipro. The pullout of the major drug companies from Canada would surely result in the breaking of all their patents. The only effect of their blackmail of Canada is to threaten the safety of American consumers, as Canadian drug exporters have begun buying drugs from countries with substandard regulatory and production regimes.

So what are the solutions to high American drug prices? One might be to outlaw consumer drug advertising, as the rest of the world does. The billions spent on American drug ads serve only to raise costs and increase demand, by persuading millions of the credulous that they, too, suffer from “erectile dysfunction,” “social anxiety disorder,” and other trendy maladies.

Another solution might be to renegotiate TRIPS to reduce the length of drug patents. The drug companies and their think-tank cheerleaders would respond that this would kill drug innovation, as the regulatory costs of each new FDA-approved drug are five years and \$800 million. The FDA justifies these costs by demagoguing about “safety,” despite the embarrassing fact that over 100,000 Americans die each year from adverse reactions to legally prescribed drugs. The FDA also forces drug companies to prove the “efficacy” of their products, even though many FDA-approved drugs turn out to be not so efficacious after all. For instance, studies have demonstrated that SSRI antidepressants are little better than placebos.

The FDA is the best friend the drug companies have. Five years and \$800 million maintain the *status quo*. As do product liability lawsuits. As do the 824 flacks hired last year to spend \$108.2 million lobbying Washington. The drug companies and their executives also contribute handsomely to many politicians, particularly Republicans.

The Bush family has close connections to Eli Lilly, which may explain the White House’s “adamant” opposition to drug importation. George H.W. Bush sat on Lilly’s board, while former Lilly vice president Mitch Daniels was George W. Bush’s director of the Office of Management and Budget and is now Republican candidate for governor of Indiana. (Lilly’s headquarters are in Indianapolis.) Lilly president and CEO Sidney Taurel was appointed by President Bush to the Homeland Security Advisory Council and the Export Council.

Doubtless, President Bush believes that what’s good for the drug industry is good for America. The industry, at any rate, has no reason to complain. Despite a “bad” year, the 18 U.S. pharmaceutical companies in the *Fortune* 1000 realized combined profits of \$31.9 billion in 2003. Revenues were up 13 percent, and the industry remains one of the most lucrative in the land: third best in return on investment at 14.3 percent; second best in return on assets at 10.3 percent. So much for the incipient American Bolshevism described by Cato and Heritage. <>

Anything That Ails You

Women on Tranqs in a Self-Serve Society

by B.K. Eakman

As far back as the 1970's, shortly after the feminist movement was launched, it was estimated that as many as 30 million American women were taking tranquilizers. That was almost half of the female population at the time. In 1975 alone, more than 103 million prescriptions for tranquilizers were written.

By the 1980's, prescription levels had spiked again. Women throughout Europe and North America were prescribed about twice as many psychotropic drugs as were men. Many of these drugs were taken long-term. In the case of the "minor tranquilizers" (technically, benzodiazepines such as Librium, Valium, Mogadon, and Ativan), continued use was largely the result of drug dependence.

A May 2001 report by the National Institute on Drug Abuse (NIDA) on prescription-drug abuse and addiction stated that studies indicate that "women were more likely than men to be prescribed an abuse-prone prescription drug, particularly anti-anxiety drugs—in some cases 48 percent more likely."

Overall, men and women have roughly similar rates of non-medical use of prescription drugs. Young women, however, have demonstrated an increased susceptibility over time to the use of medically unnecessary psychotherapeutic drugs. Be it a sedative, an anti-anxiety drug, or an hypnotic, women are almost twice as likely to become addicted.

Studies from 2001 have estimated that two percent of Americans, or about four million people, have used benzodiazepines regularly for five or more years, a figure matched in the United Kingdom and in Europe. Research also shows that, for senior citizens, benzodiazepines are more frequently prescribed to women, which is now suspected to be the cause of increased falls and fractures among that age group.

The drugged-female problem is a free-world phenomenon. In Britain alone, 60 percent of all minor tranquilizers prescribed in 1987 were consumed by women, and some 17 million people were legally prescribed benzodiazepines in 1999.

A *Wall Street Journal* article on February 25, 2004, claimed that one in every four French women is taking a tranquilizer or an antidepressant and that the average Belgian takes seven times as many sedatives as Americans. Because of the low costs of drugs and little oversight, Western European countries are facing epidemic levels of citizens hooked on tranquilizers as well as antidepressants.

According to Julie-Anne Davies' article "Accidental Addicts," published in *The Age* (June 16, 2003), the largest group of users of benzodiazepines in Australia are women over the age of 60, and the most common reason for prescribing them is insomnia. The sleeping pill Temazapan is that country's most-prescribed benzodiazepine, with 2.5 million authorized in 2002.

In Canada, the over-prescription of benzodiazepines to women was first identified as a critical healthcare issue in the 1970's, yet it is estimated that 3 to 15 percent of the adult population is now using, and may be addicted to, this class of drugs. Of this group, 60 to 65 percent are women.

Today, experts agree that addiction can follow 14 days' regular use at "therapeutic levels" and that there is a 50-percent chance of developing dependency after six months' use. After a year, addiction is deemed highly likely.

The tremendous upsurge in tranquilizing drugs seems to have as much to do with the medical profession's reticence to spend time on patient complaints that are not easily diagnosed as it does on advertising by drug companies to create a market for their wares. Insurance companies, in turn, are at least partially to blame for cutting short the amount of time a doctor spends with his patient.

In the United Kingdom in 2003, half a million people were long-term dependents of benzodiazepines, drugs deemed so addictive that official prescription guidelines were saying they should not be taken for more than 28 days in succession. Data from coroners' reports compiled by Britain's Home Office were showing benzodiazepines as a more frequent contributing factor to cases of unnatural death each year than cocaine, heroin, ecstasy, and all other *illegal* drugs.

Today, antidepressants are replacing tranquilizers as the mood-altering drug of choice, based on the questionable notion that anxious, restless, agitated, irritable, and diagnosis-starved patients are actually suffering from depression. Originally touted as being as "harmless as aspirin," the so-called minor tranquilizers have since been found to be addictive, psychologically and/or physically. Thus the rise of the new "wonder drugs," antidepressants, which supposedly act on serotonin levels in the brain to alter personality and behavior. Compounds that target this chemical are known as selective serotonin reuptake inhibitors (SSRI's).

These "harmless" antidepressants have recently been linked to violent behavior, loss of impulse control, and suicidal thoughts. The young killers at Littleton, Colorado's Columbine High School and Houston mother Andrea Yates' horrific murders of her five children are just two of many shocking news events that have called antidepressant drugs into question.

Prescriptions of benzodiazepines peaked in 1977 in the United Kingdom at 30 million, yet, in 2002, there were still 12.5 million prescriptions. The story in the United States is the same, only the numbers are even greater. Alprazolam, a benzodiazepine originally marketed by Upjohn (now part of Pfizer) as Xanax, was the 11th-most-prescribed drug in America last year, ahead of top SSRI's such as Zoloft and Paxil. While Alprazolam is not on the U.S. top-20 drug list (it is off-patent and,

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