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Pfizer Moves to Stem Canadian Drug Imports

By GARDINER HARRIS

Just days after the House of Representatives voted to legalize the import of cheap prescription drugs from Canada, [Pfizer](#) has moved to squelch the nascent trade at its source.

The company confirmed yesterday that it had sent letters to 50 Canadian pharmacies that it believes are exporting to the United States, telling them that they would have to begin ordering their drugs directly from Pfizer, rather than from wholesalers. If Pfizer decides that the pharmacies are ordering more drugs than they need to meet Canadian demand, it will cut off or curtail shipments to them, the company said.

"We feel the need to take appropriate steps to be able to enforce our terms of sale with these customers, including a long-standing provision that these medicines not be exported from Canada," a Pfizer spokesman, Nehl Horton, said.

The action by Pfizer, the world's biggest drug maker, follows similar moves by [GlaxoSmithKline](#), [AstraZeneca](#) and [Wyeth](#), all of which have sought to stem the tide of cheap Canadian drugs into the United States.

Last year, drug prices in the United States were 67 percent higher than in Canada, a report by a Canadian health agency found. As a result, cross-border prescription drug sales have soared to as much as \$650 million a year, according to [IMS Health](#), a company that tracks drug sales.

Asked about Pfizer's move, Billy Shawn, chief executive of the Canadian Drugstore Inc., an Internet pharmacy, said that it could lead to product shortages and price increases on his and other Web sites selling to Americans. "We're pretty resourceful at getting product, but if they really stick to this policy, it could affect our business in a big way," Mr. Shawn said.

The United States is the last industrialized country where drug manufacturers are allowed to set prices without government interference. The pharmaceutical industry earns half of its revenues and most of its profits in the United States — profits that it says are essential to pay for drug research.

Drug makers also argue that imported drugs can be dangerous, noting that neither American nor Canadian health authorities assure their quality. Indeed, the Food and Drug Administration has repeatedly cited the risks from imported drugs, and regulators in recent months have sought to shut down small stores springing up across the country that help Americans buy imported drugs.

But the growing disparity between American and foreign drug prices has led to a surge of sentiment against the industry in Congress — even among Republicans, who have been the recipients of most of the drug makers' campaign contributions. The industry has become the largest contributor to federal political campaigns, donating about \$21 million to parties and candidates during the 2002 election, according to the Center for Responsive Politics.

The House passed legislation to allow drug imports on July 25. But the provision faces an uncertain future in a conference with the Senate that must also reconcile competing proposals for adding a drug benefit to Medicare. Fifty-three senators have signed a letter circulated by the drug industry saying that they oppose drug imports.

In Chicago today, Representative Gil Gutknecht, a Republican from Minnesota, and Representative Rahm Emanuel, a Democrat from Illinois, are holding what they say will be the first of many town-hall meetings to build support for the drug importation measure.

Mr. Emanuel's office last night released a letter from the AARP, which lobbies on behalf of older Americans, endorsing the concept of legal reimportation of prescription drugs from Canada.

"That country is already the source of considerable de facto re-importation, and safety violations appear to be minimal in extent and insignificant in nature," William D. Novelli, the organization's chief executive, wrote in the letter to Mr. Emanuel and Mr. Gutknecht.

The steps by Pfizer and other drug makers to restrict sales of their drugs in Canada, however, could help safeguard the industry's profits even if the measure becomes law.

Drug companies have sophisticated means of controlling imports. Data-tracking companies keep close tabs on doctors' prescriptions, so companies are keenly aware of actual local demand in much of the industrialized world. The companies also closely track buying trends. When drug orders at a particular pharmacy spike in the absence of a similar jump in nearby doctors' prescriptions, executives investigate.

Drug wholesalers also help manufacturers track these trends. "Together with the manufacturers, we have worked to identify the pharmacies that have been shipping back illegally," said Larry Kurtz, a spokesman for the McKesson Corporation, one of the largest drug wholesalers in the United States and Canada.

A spokeswoman for GlaxoSmithKline, Nancy Pekarack, said her company began using similar measures against Canadian exporters in January. She said they were meant to ensure that drugs needed by Canadians were not diverted to the United States.