Impact of EU-CAN Trade Agreement on Access to Medicines: Research Findings

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EU trade negotiations with Andean countries

- Andean Community (CAN) – Bolivia, Colombia, Ecuador and Peru
- June 2007 Negotiations open for an Association Agreement
- Three pillars: Political dialogue, Cooperation, and Trade
- Aim: To foster regional integration & development
- September 2007 - 1st round in Colombia
- July 2008 - 4th round cancelled: division within the CAN countries
- February 2009 - Became bilateral trade agreements between EU and Colombia/Ecuador/Peru
- September 2009 - Negotiations between the EU and Colombia, and Peru
- November 2009 Final round expected to take place in Colombia
CAN-EU Alliance

• Established in May 2008
• At the request of civil society in the Andean region, HAI Europe joins Latin American NGOs to form a coalition to protect public health.

Important outputs:

• Publication: *Health Protection in the European and Andean Community Association Agreement* by Xavier Seuba (Jan 2009)
• Research: Impact studies on the IP chapter envisioned by EU for Colombia and Peru.
  – Commissioned by the Alliance, conducted by IFARMA in Colombia.
  – Full report now available in English; Interim reports published in March and May 2009.
Impact studies - Methodology

• PAHO/WHO meeting (2005) on IP and Public health: "Guide to estimating the impact of IPR changes on access to medicines" Published Barcelona (2007)

• Consortium to improve and apply the methodology. WHO, PAHO, WBI (World Bank Institute), UNDP, ICTSD.

• From 2005 to 2009 - Used on 12 occasions: 10 in Latin American countries

• Impact studies conducted in Colombia and Peru
Impact studies - Methodology

- Intellectual Property Rights Impact Assessment = IPRIA model

- Comparative scenarios methodology

- Impact = difference between:
  - Basic scenario: Current situation (no changes on IPRs)
  - Alternative scenarios: With IPR changes due to trade agreements/national regulations
The Model

• For each scenario, the model estimates:
  – % of products under monopoly
    (patents or data exclusivity)
  – % of products subject to competition
    (same API or therapeutic indication)
  – price disparity between monopoly and competitive medicines
  – market share ratio between monopoly and competitive medicines

• Differences between scenarios on:
  – Average price of medicines
  – Expenditure on medicines
  – Consumption

• Evaluated Markets: Private, Public, and Total
IP Measures & TRIPS +

- Basic scenario = US Trade Promotion Agreement
- Alternative scenarios:

  Based on the round in February 2009

  1. Supplementary Protection Certificate (Patent extension): 4 years
  2. Data exclusivity: 10 years
  3. Combined: Combination of the two measures
The study forecasts, at different moments in time, the impact of the trade agreement on:

Level of exclusivity of medicines in the market
↓
Impact on the average price in the market
↓
Impact on pharmaceutical expenditures
↓
Impact on consumption of medicines
# Impact of Scenario Three

## Combined Measures
(Supplementary Protection Certificates + Data Exclusivity)

<table>
<thead>
<tr>
<th>Year</th>
<th>Protected API</th>
<th>Price Index</th>
<th>Increase in Expenditure Elasticity = 1</th>
<th>Reduction in Consumption Elasticity = 0</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>7%</td>
<td>1,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td>2015</td>
<td>24%</td>
<td>1,03</td>
<td>28,91</td>
<td>-0,03</td>
</tr>
<tr>
<td>2020</td>
<td>36%</td>
<td>1,19</td>
<td>253,71</td>
<td>-0,16</td>
</tr>
<tr>
<td>2025</td>
<td>39%</td>
<td>1,26</td>
<td>459,35</td>
<td>-0,20</td>
</tr>
<tr>
<td>2030</td>
<td>37%</td>
<td>1,29</td>
<td>704,92</td>
<td>-0,23</td>
</tr>
</tbody>
</table>
Research Findings: Peru

Effect of combined scenario in 2025:

Increase in total pharmaceutical expenditure:
459 million USD (to maintain current consumption levels)
or
20% decrease in consumption
due to
26% increase in medicines’ prices
because of
11% increase in the number of IPR protected medicines
US-Peru Trade Promotion Agreement and EU-Peru Free Trade Agreement

Increase in expenditure

<table>
<thead>
<tr>
<th>Increase in expenditure (Millions USD) in 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>US TPA</td>
</tr>
<tr>
<td>EU-PERU FTA</td>
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</tbody>
</table>

- US TPA: 1,031
- EU-PERU FTA: 459
Where we are today

• Far-reaching provisions have been removed from the negotiation texts

• Sections of the enforcement chapter remain E.g. controversial border measures

• Final negotiations to take place: 1st week of November
Conclusions

• Only one example of the many EU free trade agreements

• In this case- civil society was engaged & well organized, raising awareness and providing strong public pressure

• The EU has done much to advance health care in developing countries in recent years and yet…

• The EU must change its trade policy. It is now testament of a severe lack of policy coherence

• The EU’s trade agenda must be in line with
  – health & development objectives
  – the position of the EP and some Member States
Thank you

Sophie Bloemen

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This event arises from the Developing Rational Use of Medicines in Europe project, which has received funding from the European Union, in the framework of the Health programme.