*excerpt from: Sharon Beder, **Suiting Themselves: How Corporations Drive the Global Agenda**, Earthscan, London, 2006 (pages 153 & 154).*

8

Coercing Trade Agreements

> *Trade rules play a crucial role in the capacity of a company or corporation to gain or lose in the market, and to serve its aim of achieving higher profits. For TNCs [transnational corporations], trade and investment rules determine their freedom to move freely around the globe, making use of the cheapest labour and production, playing suppliers off against each other, achieving economies of scale, and locating in the largest and most lucrative markets.*
>
> THE TRANSNATIONAL INSTITUTE[1]

During the 1970s, Edmund Pratt, chief executive officer (CEO) of Pfizer, noticed that his company was losing significant market share in developing countries 'because our intellectual property rights were not being respected in these countries'.[2] Pfizer is a transnational pharmaceutical company that set up operations in developing countries ahead of many other US pharmaceutical companies.

Some developing countries did not have patent laws at this time because there was no economic incentive to do so. Others had patent laws but did not enforce them properly. Some required the patent owner to license local firms to produce the drugs if they weren't being produced by the patent owner in their country at a reasonable price. In India and Argentina, the processes and methods of manufacturing pharmaceutical drugs could be patented, but not the final products. This allowed competitors to make the same drugs using different methods and sell them at a much lower price.[3]

Although Pfizer's overall profitability did not depend upon developing country markets since they represented such a small proportion of its overall sales, the fact that generic versions of Pfizer drugs could be manufactured and sold so cheaply in these countries 'raised embarrassing questions about the connections between patents and drug prices'. Pfizer also viewed these countries as potential growth markets.[4]

Through the 1970s and early 1980s, Pfizer together with IBM -another 'globally ambitious, intellectual property-intensive' company where Pratt had spent his early career -unsuccessfully tried to persuade government officials in the US and in developing countries that intellectual property rights needed to be protected.[5] Nor were they successful at persuading the World Intellectual Property Organization (WIPO), which administered a Convention on Intellectual Properties, of Properties, of the need for high standards of protection for patents. Being a United Nations (UN) agency, each member nation of WIPO had a single vote and the majority voted against tougher international patent protections.

For Lou Clemente, Pfizer's general counsel, the 'experience with WIPO was the last straw in our attempt to operate by persuasion'. Instead, Pfizer decided to organize and mobilize business interests to pressure governments for change. It was already a well-connected company (see Figure 8.1) and well placed to do this. For example, during this time Pratt was head of the US Business Roundtable (see Chapter 2).[6]

Pfizer decided first that the GATT negotiations might be a more conducive atmosphere to make rules about intellectual property, one where the US could exercise its muscle to overcome developing country opposition. Pratt put himself forward for the influential Advisory Committee on Trade Policy and Negotiations (ACTPN) and by 1981 had been appointed as its chair by Ronald Reagan. He held this position for six years until after the Uruguay Round had started and James Robinson from American Express replaced him as chair (see Chapter 7).[7]

Under Pratt's leadership the advisory committee formed a task force on intellectual property with John Opel, chair of IBM – also a leading member of the

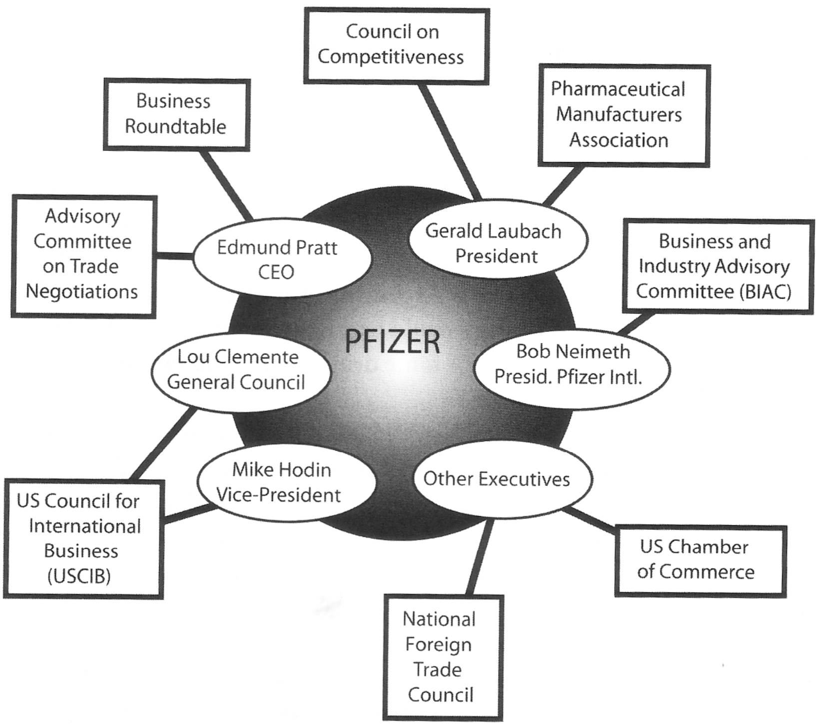

Figure 8.1 *Some of Pfizer's business association connections*

Source: adapted from Santoro and Paine (1995, pp7-8)