



# HARMFUL SIDE EFFECTS

How drug companies undermine global health

[www.oxfam.org.uk](http://www.oxfam.org.uk)



**OXFAM**

## OXFAM BRIEFING NOTE – SEPTEMBER 2018

New Oxfam research shows that four pharmaceutical companies – Abbott, Johnson & Johnson, Merck and Pfizer – systematically hide their profits in overseas tax havens. This activity could deprive developing countries of \$112m (around £88m) every year – money that is urgently needed to meet the health needs of people in these countries – while charging very high prices for their products. In the UK, these four companies may be underpaying around £124m of tax each year. These corporations also deploy massive lobbying operations to influence trade, tax and health policies in their favour and give their damaging behaviour greater apparent legitimacy. Tax dodging, high prices and political influencing by pharmaceutical companies exacerbate the yawning gap between rich and poor, between men and women, and between advanced economies and developing ones.

© Oxfam GB September 2018

This paper was written by Oliver Pearce and Mohga Kamal-Yanni, based on the Oxfam report, [Prescription for Poverty: Drug companies as tax dodgers, price gougers, and influence peddlers](#). Oxfam acknowledges the assistance of Chris Worrall, Claire Spoons and Francesca Rhodes in its production. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

For further information on the issues raised in this paper please email [opearce1@oxfam.org.uk](mailto:opearce1@oxfam.org.uk)

This publication is copyright but the text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged. E-mail [policyandpractice@oxfam.org.uk](mailto:policyandpractice@oxfam.org.uk).

The information in this publication is correct at the time of going to press.

Published by Oxfam GB under ISBN 978-1-78748-321-7 in September 2018.

DOI: 10.21201/2018.3217

Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

Cover photo: C. Patel, who is HIV-positive, holds out his daily dose of anti-retroviral drugs, which have helped him regain his health and enjoy a good quality of life. Lana Slezic/Panos

# 1 INEQUALITY, TAX AVOIDANCE AND PRICEY MEDICINES

The world's biggest pharmaceutical companies are putting poor people's health at risk by depriving governments of billions of dollars in taxes that could be used to invest in healthcare, and by using their power and influence to keep the costs of medicines high. The medicines made by pharmaceutical companies are vital for the health of millions of people, but the practices of these companies are preventing many people from benefiting from such medicines.

New Oxfam research shows that four major pharmaceutical companies – Abbott,<sup>1</sup> Johnson & Johnson, Merck, and Pfizer – systematically hide their profits in overseas tax havens.<sup>2</sup> As a result, these four corporate giants may have deprived the UK government of around £124m each year. Oxfam's research suggests that these four corporate giants may have underpaid taxes in the United States by around \$2.3bn annually (about £1.8bn)<sup>3</sup> and denied other advanced economies, including the UK, of around \$1.4bn (£1.1bn). And they appear to deprive the cash-strapped governments of developing countries of an estimated \$112m (£88m) every year – money that could be spent on vaccines, midwives, or rural clinics.

Such tax dodging erodes the ability of governments everywhere to provide the public services that are essential to people's health and wellbeing. It reduces the ability of governments to fight poverty and inequality. The UK government has sought to make it harder for multinational companies to avoid taxes by implementing international anti-tax avoidance standards and introducing its own measures.<sup>4</sup> But if countries like the UK continue to lose significant sums to tax avoidance, then the challenge for developing countries – which are more dependent on corporate taxes yet less able to tackle such avoidance – is even greater. People already facing discrimination and higher rates of poverty such as women and people with disabilities, lose out the most. Many industries use their economic and political clout to try to shape government policies in their own interests. In the US, the pharmaceutical industry spends over \$200m (£157m) every year on lobbyists and political donations – the most of any US lobby group. A study of lobbying at the EU estimated that pharmaceutical companies spent €40m (about £33m in 2012) annually and had 220 lobbyists active in Brussels.<sup>5</sup>

Pharmaceutical lobbying can be equally problematic in developing countries, where the companies can win sweetheart deals that lower their tax bills and divert scarce public health dollars to pay for their high-priced products – and where they use the influence of the US government to enhance their profits. Their influence in developing countries can be clearly seen in the trade rules of the World Trade Organization (WTO) which govern intellectual property. The then Pfizer chairman was instrumental in negotiating the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement,<sup>6</sup> which secured a global system of strong intellectual property rules that advanced pharmaceutical companies' monopoly power and ability to raise the price of medicines. Pharmaceutical companies exert influence on the US government, US congress and EC to pressure countries such as India to change its intellectual property law and Thailand to revoke compulsory licensing on medicines.<sup>7 8</sup>



Tax dodging by pharmaceutical companies is enriching wealthy shareholders and company executives at the expense of us all – with the highest price paid by poor women and girls. If governments don't have sufficient funds to pay for education and healthcare, women and girls are the first to lose out on these services and to fill the gaps with unpaid care work.<sup>9</sup> Recent research showed that globally, 57 million unpaid workers are filling the gaps caused by inadequate healthcare provision. The majority are women who have given up employment to carry out this role.<sup>10</sup> When health systems crumble, women and girls step into the breach – compromising their own health and their prospects for education and employment. Moreover, when governments are deprived of corporate tax revenues, they often seek to balance the budget by raising consumption taxes, which don't take account of buyers' income levels.<sup>11</sup> Therefore, poor people, who are disproportionately women, pay a relatively higher amount in such taxes.<sup>12</sup>

Governments' inadequate funding of public health systems – partly due to a failure to collect taxes due – leads to increased out-of-pocket spending and drives people further into poverty. Every year 100 million people fall into extreme poverty because of the cost of healthcare, including medicines.<sup>13</sup>



Gorakhpur, Uttar Pradesh, India. Ramavati (left) quit her job as a construction laborer to take care of her daughter Rinki, 13, who has contracted encephalitis twice. Ramavati's other four daughters are no longer in school, because the family has borrowed money to pay for medical treatment for Rinki and can't afford school fees for the girls. Photo: Zacharie Rabehi/Oxfam

Oxfam is not accusing the pharmaceutical companies of doing anything illegal. Rather, this briefing shows how corporations can use sophisticated tax planning to take advantage of a broken system that allows multinational corporations from many different industries to get away with avoiding taxes. Businesses can shape and transform lives around the world. Adopting more fair and responsible tax and pricing practices would help to ensure that they are playing a part in both reducing poverty and creating a fairer future for all.

## A FIGHTING CHANCE?

Tobeka Daki, a single mother of two boys and health activist from Mdantsane Township in East London, South Africa, was diagnosed with breast cancer in 2013. In addition to a mastectomy and chemotherapy, she needed a medicine called Trastuzumab to improve her chances of survival. In South Africa, a 12-month course of Trastuzumab costs approximately \$38,000 (about £30,000) – around five times the average household income.<sup>14</sup> Tobeka’s chance of survival was denied because neither she nor her insurance could afford the medicine. Tobeka died within three years of her diagnosis.<sup>15</sup>

South Africa is one of the most economically unequal countries in the world.<sup>16</sup> Most of its citizens (84%) depend on the public health sector, and even those with insurance have only limited access to cancer treatments due to prohibitive costs.<sup>17</sup> The high costs of vital medicines in developing countries like South Africa means many people like Tobeka cannot access the medication they need.

Tobeka’s story is just one example of women living in or at the edge of poverty being left behind as the inequality crisis worsens. Simply for being born poor and a girl, a young woman will have to struggle harder to get an education and a decent job, and is less likely to get the various forms of healthcare she needs. Women in the poorest 20% of the population in developing countries have the least access to sexual and reproductive health services, including contraception.<sup>18</sup>

Such women will be among the millions of people around the world for whom decent healthcare and medication are unaffordable luxuries, only available to the rich.

**Figure 1: Potential impact on women and girls**



## HIGH PRICES, HIGH PROFITS

Tax dodging, high prices and political influence help to explain the extreme profitability of the four pharmaceutical companies in Oxfam's research, and the extreme benefits they offer their wealthy shareholders and senior executives. The 25 largest US pharmaceutical companies had global annual average profit margins of between 15 and 20% in the period 2006–2015; the figure for comparable non-pharmaceutical companies was 4–9%.<sup>19</sup>

The price of medicines, which was already high, has continued to rise dramatically. Seven of the nine best-selling medicines sold by Pfizer, Merck, and Johnson & Johnson saw double-digit price increases in 2017.<sup>20</sup> For example, Pfizer raised the price of Lyrica – which treats diabetic nerve pain, has no generic competition and generated \$4.5bn for the company in sales last year – by more than 29% in 2017.<sup>21</sup>

It is estimated that 8,000 women in the UK could benefit from Palbociclib (Ibrance) for treating breast cancer, at a price of £35,400 per patient per year.<sup>22</sup> The full price of the new lung cancer medicine Pembrolizumab (Keytruda) was £84,000 per patient, costing the NHS £20m a year.<sup>23</sup> At that price, the medicine would not have been prescribed on the NHS, and thus Merck had to negotiate a lower price, which has been kept secret.<sup>24</sup> In 2017, NHS England reported that its annual medicines bill was £16bn, and was rising at 7% a year – 'faster than the overall NHS budget'.<sup>25</sup> In the same year, Merck, raised its revenue forecast to \$39.1bn–\$40.3bn.<sup>26</sup>

## 2 TAX DODGING IN THE UK AND GLOBALLY

Governments with lower tax revenues have less money to invest in vital public services. Oxfam examined publicly available data on subsidiaries of four of the largest US pharmaceutical companies and found a striking pattern.<sup>27</sup> In all the countries analyzed that have standard corporate tax rates, the companies' pre-tax profits were low. In eight advanced economies, pharmaceutical company profits averaged 7%, while in seven developing countries they averaged 5%. Yet globally, these companies reported annual global profits of up to 30%.<sup>28</sup> So where were the high profits? Largely, in tax havens. In four countries that enable low effective corporate tax rates – Belgium, Ireland, the Netherlands and Singapore – these companies posted a very high average 31% profit margin.<sup>29</sup>

While the information is far from complete, the pattern is consistent. This is very unlikely to be a coincidence, and suggests a deliberate pattern to ensure that profits are booked disproportionately in tax havens. Pfizer, Merck, and Abbott are among the 20 US corporations with the greatest number of subsidiaries in tax havens; Johnson & Johnson is not far behind.<sup>30</sup>

## US TAX REFORM

The ability of these big companies to pay less tax is aided by US public policy on tax which has accelerated global tax competition. Before the US tax reform of 2017, a particular problem for the United States was the earnings companies stockpiled overseas. Because US taxes on overseas profits only became due when they were ‘repatriated’, i.e. paid out as dividends to the parent company in the United States, corporations kept vast sums offshore. This peculiarity of US tax law explains how Pfizer managed to report no taxable US income every year between 2007 and 2016, despite worldwide profits of \$110bn (£86bn).<sup>31</sup>

By the end of 2017, US Fortune 500 companies were holding almost \$2.6 trillion (about £2 trillion) in untaxed earnings offshore.<sup>32</sup> A year earlier, the portion held by the four largest US pharmaceutical companies was \$352bn (£272bn).<sup>33</sup> Pfizer’s \$199bn (£156bn) held offshore was the second largest of any US corporation.<sup>34</sup>

If the US were not losing enough corporate tax revenue already, the new Tax Cuts and Jobs Act approved in December 2017 dug the hole deeper.<sup>35</sup> The US has joined the global race to the bottom on corporate tax rates and policies. Not only do the reforms lower the corporate tax rate from 35% to 21%, they allow companies to repatriate their offshore cash for a one-off 15.5% levy – and even lower for some types of holdings.<sup>36</sup> The Financial Times estimates that all US corporations will save up to \$500bn over what they would have owed had they not stashed their profits overseas.<sup>37</sup> The lower tax rate for profits earned overseas incentivizes US corporations to move offshore both profits and jobs. It is just as likely that such corporations will use tax havens; indeed the ‘price’ of doing business in tax havens has fallen, meaning potentially less tax revenue for other developed and developing countries.

## ESTIMATING TAX UNDERPAYMENTS

Oxfam reviewed financial data on the 10 largest US multinational pharmaceutical companies. Based on the evidence gathered – particularly evidence linking the tax practices of the US companies with revenue loss in developing countries, and taking into account data availability – we looked in more detail at four of those companies for deeper analysis. Oxfam estimated the potential tax underpayments to a country, based on the difference between a theoretical tax due if profit margins in all countries were equal to the global average, and the actual tax paid. To calculate the tax shortfall in each country, we multiplied the company’s revenues in that country by the global profit margin to obtain the theoretical profit that companies would make in that country if profit margins were uniform all over the world. We then applied the country’s statutory tax rate to that theoretical profit to obtain the counterfactual tax owed in that country. Finally, we subtracted the actual tax paid in that country from the counterfactual tax owed.

Oxfam reached out to all of the companies in the US named in this report to share the data we gathered, the methodology we employed, and the findings of our research. We sent them our recommendations, and sought to engage them directly regarding responsible corporate tax practice. We also reached out to the major pharmaceutical trade associations named in this report. The report



integrates the responses that we received. The corporations neither confirmed nor denied the specific research findings in the report.

While there are many reasons why profit margins may differ across countries, such as costs of production and retail or regulatory impacts, there is a clear pattern of profit margins being higher in tax havens than in other countries. There is no reasonable explanation for this pattern besides tax avoidance. In developed and developing countries alike, the profit margin tended to be somewhat lower than the global average, while in tax havens the profit margin was much higher than the global average. Our estimates are based on an imperfect method of holding the profit margin consistent across all countries, due to the lack of publicly available data from all four pharmaceutical companies. We also use overall sales as a proxy for economic activity.

In the seven developing countries in which profits averaged 5%, the four companies might have paid an additional \$112m (£88m) in taxes annually had their profits been more evenly distributed. This amounts to more than half of the \$195m (£153m) they did pay, which means they may have underpaid one-third of the tax they should have owed. Johnson & Johnson may have underpaid by \$55m (£43m) in taxes every year; Pfizer may have underpaid \$22m (£17m), Abbott \$30m (£24m) and Merck \$5m (£4m). Table 1 breaks down that data by country.<sup>38</sup>

**Table 1: Estimated annual tax underpayment in developing countries**

	<b>Abbott</b>	<b>J&amp;J</b>	<b>Merck</b>	<b>Pfizer</b>	<b>TOTAL</b>
<b>Chile</b>	\$4,651,266	-	-	-	<b>\$4,651,266</b>
<b>Colombia</b>	\$(1,952,883)	\$1,088,770	\$1,228,112	\$11,506,827	<b>\$11,870,826</b>
<b>Ecuador</b>	\$2,168,863	-	\$472,655	\$2,058,569	<b>\$4,700,087</b>
<b>India</b>	\$30,171,485	\$41,450,191	\$2,296,686	\$(137,778)	<b>\$73,780,584</b>
<b>Pakistan</b>	-	-	-	\$1,654,868	<b>\$1,654,868</b>
<b>Peru</b>	\$(5,191,248)	\$1,920,555	\$(1,580,927)	\$1,884,431	<b>\$(2,967,188)</b>
<b>Thailand</b>	\$632,044	\$10,174,664	\$3,049,057	\$4,799,166	<b>\$18,654,932</b>
<b>Developing countries</b>	<b>\$30,479,527</b>	<b>\$54,634,180</b>	<b>\$5,465,584</b>	<b>\$21,766,083</b>	<b>\$112,345,374</b>
Note: Numbers in parentheses are negative; they indicate where the national-level profit margin was higher than the global average profit margin. Entries without a number indicate that no country-level financial information was available.					

Source: Source: M. Fried (2018). Prescription for Poverty: Drug companies as tax dodgers, price gougers, and influence peddlers. Oxfam. <http://policy-practice.oxfam.org.uk/publications/prescription-for-poverty-drug-companies-as-tax-dodgers-price-gougers-and-influe-620548>



## UNDERPAYMENTS IN THE UK

In the UK, the four pharmaceutical companies collectively have 74 active subsidiaries. It was possible to access financial data for all known UK subsidiaries using the free access on the Companies House website.<sup>39</sup> The combined annual revenue of the four companies in the UK averaged over £4bn between 2013 and 2015. Collectively, the four companies made over £440m a year in profit on average during the three years we looked at, with an average profit margin of 11%. On average, the combined annual tax paid by the four companies in the UK was just under £66m; whereas, based on Oxfam's methodology, the four companies may have underpaid tax by almost double that amount, at £124m annually. The results of our methodology are necessarily affected by some particularly large variations recorded in a few of the UK-based subsidiaries.<sup>40</sup>

**Table 2: Combined tax data for Abbott, Johnson & Johnson, Merck, and Pfizer in the UK, 2013–15**

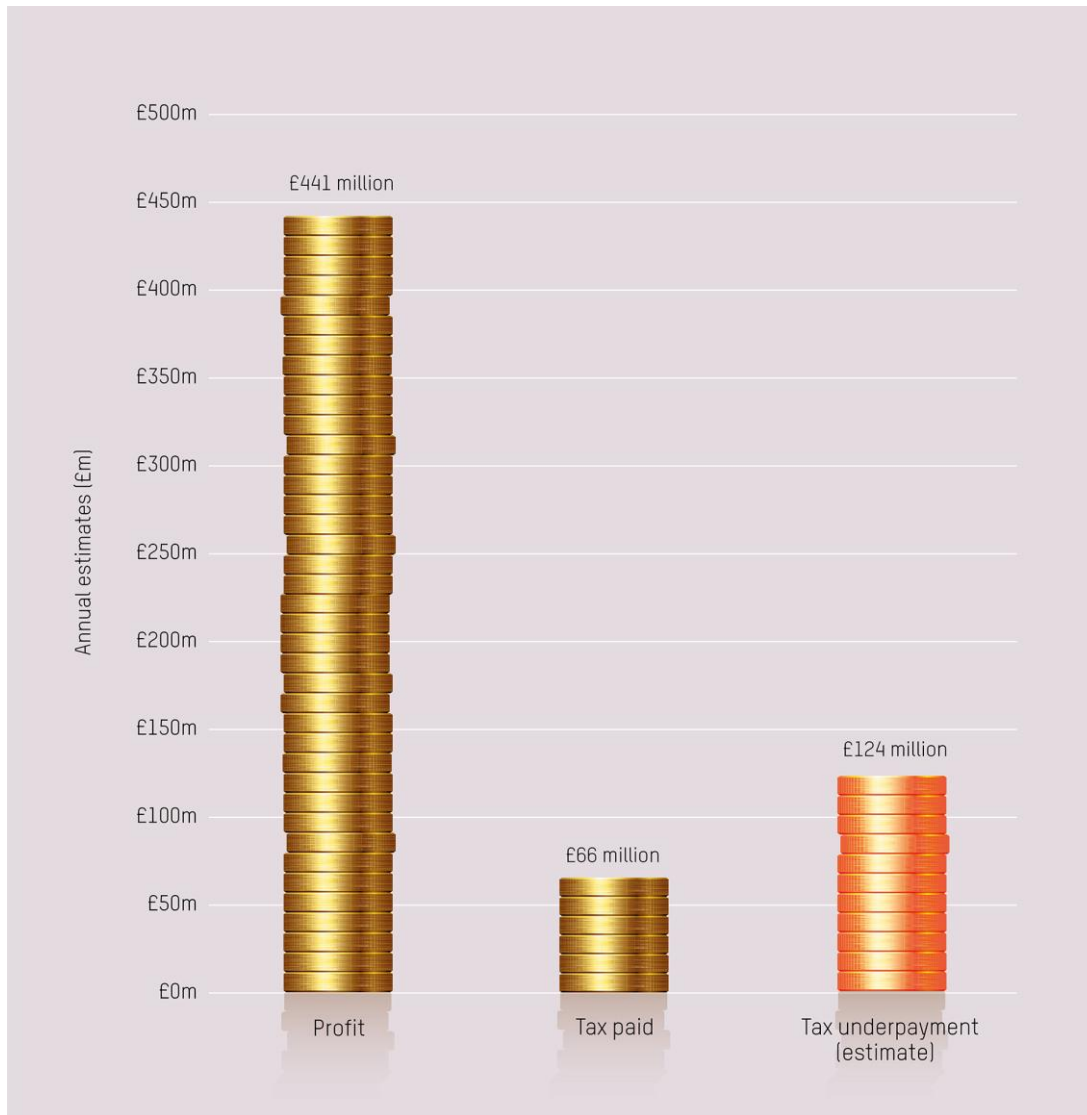
Total subsidiaries	74
Total annual revenue	£4.16bn
Total annual profit	£441m
Profit margin	11%
Total annual tax	£66m
Effective tax rate	15%
Total tax underpayment estimate	£124m

Note: the data in the table presents annual averages based on the available data across three years.

Source: Data from M. Fried (2018). Prescription for Poverty: Drug companies as tax dodgers, price gougers, and influence peddlers. Oxfam. <http://policy-practice.oxfam.org.uk/publications/prescription-for-poverty-drug-companies-as-tax-dodgers-price-gougers-and-influe-620548>

To some extent, the UK data broadly follow the pattern identified across other non-tax haven countries, with the result that the UK may have been missing out on significant tax payments by the four companies. This tax underpayment could be over £100m a year for the three years of data we looked at. The average profit margin is 11% – a little above that for most of the non-tax haven countries; while the effective tax rate of 15% is below that for most countries but significantly higher than the tax havens we have data for. Figure 2 shows that the estimated tax underpayments are significantly higher than the total taxes paid by the four companies in the UK on an annual basis.

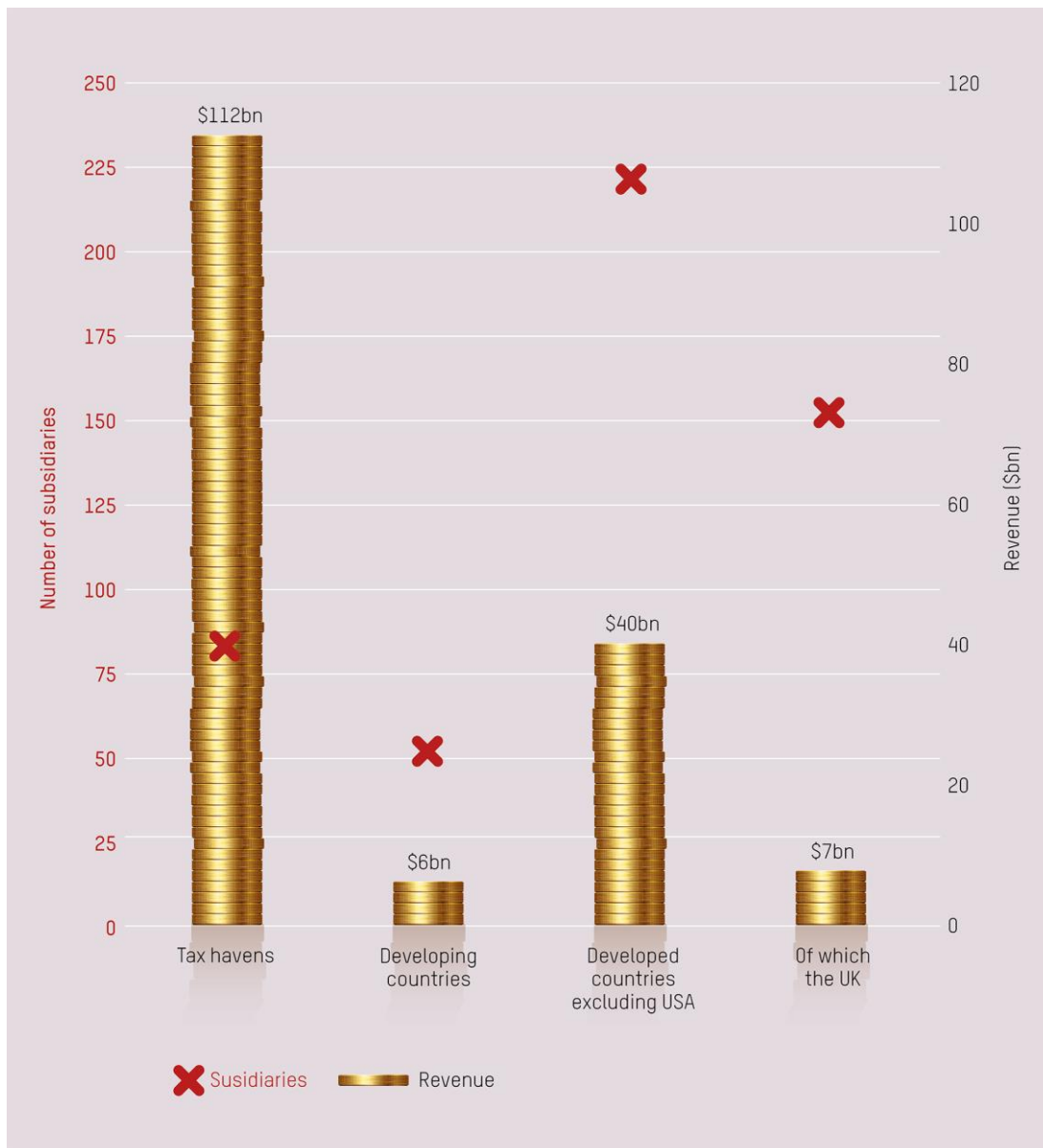
**Figure 2: Total profits, taxes paid and estimated tax underpayment in the UK for the four companies combined**



Source: Data from M. Fried (2018). Prescription for Poverty: Drug companies as tax dodgers, price gougers, and influence peddlers. Oxfam. <http://policy-practice.oxfam.org.uk/publications/prescription-for-poverty-drug-companies-as-tax-dodgers-price-gougers-and-influe-620548>

Figure 3 shows that tax havens account for the majority of the four companies' global revenues, while revenues in developed countries are significantly lower, despite hosting a majority of the companies' subsidiaries. The UK itself has a high number of subsidiaries, which collectively generate around £4bn (\$7bn) a year.

**Figure 3: Combined revenues of the four companies in tax havens, developed and developing countries**



Source: Data from M. Fried (2018.) Prescription for Poverty: Drug companies as tax dodgers, price gougers, and influence peddlers. Oxfam. <http://policy-practice.oxfam.org.uk/publications/prescription-for-poverty-drug-companies-as-tax-dodgers-price-gougers-and-influe-620548>

Note: Since the data analysed is not consolidated, the revenues shown in this chart add up to more than the total international revenues of the four companies.

Tax havens account for an even greater share – over 90% – of the companies’ non-US profits. The tax havens’ share of total taxes paid was higher than developed and developing countries, but not in line with the runaway profits achieved in tax havens.

A few UK subsidiaries in each company group significantly affect the averages for that company in the UK. Since we could access data on a subsidiary-level basis only, we cannot be sure of the consolidated effects of the data. This is one reason public country-by-country reporting would aid understanding of companies’ tax practices.<sup>41</sup> Requiring companies to publish tax-related data on a country-by-country basis would help tax authorities and other stakeholders to identify the risks of tax avoidance and deter such practices in the first place.<sup>42</sup>

In addition to greater tax transparency by companies, companies and governments could do more to explain low effective tax rates. Companies could outline the tax incentives and other reliefs they make use of, and governments could publish data on tax incentives. For example, the UK government introduced the Patent Box in 2013, incentivizing companies to register patents in the UK and thereby intended to support investment in research and development. The Patent Box reduces the rate of tax paid on profits arising from patents.

Pharmaceutical companies are one sector likely to benefit from the Patent Box, but it is unclear which companies have had relevant profits taxed at the lower Patent Box rate, and whether the overall impact of the regime has attracted high skill innovation. The government should undertake a transparent cost–benefit analysis of the Patent Box and related tax reliefs as part of a more systematic approach to the use of tax incentives.

Effective tax rates for large companies are falling around the world.<sup>43</sup> To ensure that multinational corporations cannot simply take advantage of a race to the bottom on taxation, governments should look at protections for corporate tax revenues, such as a minimum *effective* tax rate. Like other measures, this would best be done as part of a package of coordinated international reforms; but the UK could implement such a measure directly in the absence of sufficient international progress – as the current government says it may do on a possible digital tax.<sup>44</sup>

## UK-linked tax havens

Some of the UK's Overseas Territories and Crown Dependencies are recognized as tax havens, with a number making commitments to change their laws to prevent being 'blacklisted' as tax havens by the European Union.<sup>45</sup> Oxfam has previously identified some UK Overseas Territories and Crown Dependencies as among the most significant corporate tax havens.<sup>46</sup> Some of these combine the maintenance of individual and company secrecy on accounts with extremely low (or zero) tax rates and related incentives.

Abbott, Merck and Pfizer seem to have significant subsidiaries in UK-linked tax havens such as Bermuda, the Cayman Islands, the British Virgin Islands and the Channel Islands,<sup>47</sup> although the scale of their operations in such locations is not known, due to the inaccessibility of accounts in such places. Several US companies have large cash piles in Bermuda<sup>48</sup> – Bermuda's 0% corporate tax rate and other incentives may provide some clues for the apparently high corporate revenues and profits recorded in Bermuda.

However, it is very hard to know the real corporate activities and corresponding data on company subsidiaries in places like Bermuda which do not have public access to company registers. It is welcome that legislation recently passed in the UK requiring the UK's Overseas Territories to implement public registers of beneficial ownership will change this. The change corresponds to new EU law which requires all member states to have public registers of beneficial ownership for companies.



## IMPROVING UK TAX POLICY

Requiring companies to publish financial data on a country-by-country basis would make it much easier to identify the possible risks of tax avoidance involving jurisdictions such as Bermuda. Such a measure is being pushed by the European Commission, the European Parliament and some other member states, as well as the UK. Some companies already provide more information about their tax practices. AngloAmerican, RB, and Unilever publish detailed tax strategies, as did SABMiller prior to its merger with AB Inbev – and report some tax-related information on a regional or per-country basis.<sup>49</sup> SSE publishes detailed tax information<sup>50</sup> and Vodafone will publish its OECD Country by Country Report in 2019, setting a significant example of transparency of tax data.<sup>51</sup>

There is much more the UK can do to reduce corporate tax avoidance, including a review of the Patent Box. Although the UK has powers to tax UK firms' overseas subsidiaries where the local government does not tax them, these Controlled Foreign Company (CFC) rules could be strengthened, with benefits for the UK and developing countries.<sup>52</sup> The government is planning to revise regulations to ensure it complies with the latest EU Anti Tax Avoidance Directive (ATAD) requirements,<sup>53</sup> and could use this opportunity to go further on CFC rules.

Such measures could help to stem a race to the bottom on corporate tax. Oxfam is especially concerned that developing countries have not benefited enough from existing international tax reforms and need to benefit from the data contained in country-by-country reports. For their benefit and the wider public good, Oxfam is calling for all companies to implement real tax transparency through publishing their country-by-country reports.

## 3 THE ROLE OF COMPANIES ON ACCESS TO MEDICINES

Pharmaceutical companies claim they need very high profits so they can invest in research and development of new medicines to treat the world's ailments. In reality, the companies spend more on very large payouts to shareholders and executives. In the decade from 2006 to 2015, large pharmaceutical companies spent \$341.4bn (£268bn) of their \$1.8 trillion (£1.4 trillion) in revenue on stock buybacks and dividends – equivalent to 19% of revenue. In the same period, they spent \$259.4bn (£204bn) on R&D, or only 14%.<sup>54</sup> R&D expenses are also tax deductible.

Pharmaceutical companies keep the real cost of R&D for medicines as a commercial secret, making it difficult for purchasers to assess the fairness of the price.<sup>55</sup> The current global R&D system incentivizes companies' investment in medicines with the greatest potential to generate profit, rather than encouraging investment in products that meet the greatest public health needs. This is because the system relies on monopoly on medicines, secured by the WTO agreement on Trade Related Aspects of Intellectual Property Rights.

The R&D system – based on intellectual property rules – has led to companies ignoring R&D for neglected diseases and focusing on those medicines that have the potential for high profit. For example, Tuberculosis (TB) was declared a global emergency by the WHO in 1994. The disease mostly affects people in developing countries and therefore does not offer the potential for high profits to incentivize pharmaceutical companies to invest in R&D for diagnostics or medicines. Until 2008, doctors still relied on a diagnostic test invented 120 years previously, before a new test was developed thanks to public and philanthropic funding through a product development partnership. By contrast, after seeing Pfizer's runaway financial success from Viagra (its successful effect on erectile dysfunction was discovered accidentally), other companies invested in similar medicines to take a share of a highly profitable global market.<sup>56</sup>

An example of high prices for medicines is Palbociclib (Ibrance), for metastatic breast cancer, which Pfizer put on the market for nearly \$10,000 (almost £8,000) per patient per month.<sup>57</sup> These high prices are unaffordable in many countries. For example, in the US, medical costs are the primary reason for individual bankruptcy.<sup>58</sup> In developing countries, such prices break public health budgets and place the burden of paying on sick people and their families, who cannot afford it. Another example: a new medicine to treat multidrug-resistant TB, Bedaquiline, was priced by Janssen – a subsidiary of Johnson & Johnson in South Africa – at \$820 (almost £650) for the six-month course. Thus, the medicine is unaffordable for most patients who need it; for example, the average annual income in South Africa is \$7,500 (or \$12,300 PPP).<sup>59</sup> Researchers estimate that a generic equivalent of the medicine could be made available for only \$48 (£38).<sup>60</sup>

The cost of medicines is one important part of the reason that a 100 million people fall into extreme poverty every year due to the cost of treatment.<sup>61</sup> Patients use so-called coping strategies, such as selling assets, falling into debt, cutting down on food or pulling their children out of school – usually girls first – which deepens the cycle of generational poverty. People with some disabilities face extra challenges in accessing healthcare and may have added health problems that require special treatment. Lack of access to treatment increases their suffering. Moreover, the cost of treatment pushes patients, particularly women on low incomes, to delay treatment and thus risk complications, or forgo it all together and risk their lives – as Tobeka's story illustrates.

In recognition of the global nature of the crisis in access to medicines, the UN Secretary-General set up a High-Level Panel on access to medicines that produced a report containing important recommendations to ensure innovation and access to medicines.<sup>62</sup> For example, the panel recommended that countries increase public funding for R&D, and separate financing R&D from the resulting prices. Such separation would lead to financing R&D from other sources rather than high prices – companies claim financing R&D as the reason for high prices.

The Panel also called for countries to use the available legal measures ('flexibilities') enshrined in the TRIPS agreement, such as compulsory licensing, to cut the price of medicines. The Panel recommended transparency on the cost of R&D, pricing and the results of clinical trials. Pharmaceutical companies have rejected the Panel's recommendations, claiming that the Panel should have addressed the main problem of inadequate health services and that the intellectual property system delivers medical innovation.<sup>63</sup> Oxfam has called on

governments and international health organizations to fully implement the recommendations of the High-Level Panel.<sup>64</sup>

The UK has been key in providing funding for product development partnerships for neglected diseases and in enhancing global commitment to the control of antimicrobial resistance. For example, in 2017 the UK government announced that it would invest £450m in neglected diseases.<sup>65</sup> Moreover, the UK government was a founder of UNITAID, which provides affordable prevention, diagnostics and medicines for HIV, TB, malaria and Hepatitis C.

Oxfam urges the UK to continue its leadership to ensure access to medicines for all by championing the negotiation of a global R&D convention that separates the financing of R&D from the price of medicines, as well as the implementation of the recommendations of the High-Level Panel on access to medicines. This leadership is critical, especially post-Brexit when the decisions on trade agreements move from Brussels to London and the government takes the sole responsibility of ensuring that free trade agreements enhance – and do not limit – governments' ability to use all possible policies and practices that make medicines affordable for all.

## HOW COMPANIES INFLUENCE DECISION MAKING

Pharmaceutical companies have strong lobbying activities in Brussels, where the European Commission has the mandate on trade rules that govern many medicine policies in member states. For example, companies lobby for stricter intellectual property rules in free trade agreements (FTAs), thus increasing companies' monopoly power and ability to raise the price of medicines. They also lobby for other provisions that allow pharmaceutical companies to sue EU governments over measures for access to medicines such as price control.<sup>66</sup> A study of lobbying at the EU estimated that pharmaceutical companies spent €40m (about £33m in 2012) annually and had 220 lobbyists active in Brussels.<sup>67</sup>

In the US, pharmaceutical corporations spend more than any other industry on influencing the US government: more than \$200m (£157m) annually.<sup>68</sup> They employ the most lobbyists, and donate millions of dollars to politicians' campaigns. As with many industries, there is a 'revolving door' between government, companies and lobbyists.

For example, the current US secretary of health and human services, a cabinet-level post that oversees government healthcare policy, is Alex Azar, who led the pharmaceutical company Eli Lilly between 2012 and 2017. The US trade representative, whose mandate includes pressuring countries that have policies the United States believes hinder US pharmaceutical company profits, is Robert Lighthizer, who most recently worked at the law firm representing Pfizer, Merck, and Abbott, among others.<sup>69</sup>

The pharmaceutical industry has the largest network of people working for a special interest in the United States: 1,500 agents representing professional lobby firms in 2017, equivalent to 13% of all lobbyists.<sup>70</sup> Most of this workforce is made up of former members of Congress and former high-ranking federal employees, who use their government experience and connections to advocate.<sup>71</sup> Among pharmaceutical companies, Pfizer is consistently a top lobby spender, ranking

second in 2017 at \$10.4m (£8.2m). Johnson & Johnson (\$6.9m or £5.4m) and Merck (\$6.2m or £4.9m) ranked sixth and seventh respectively, while Abbott (\$4.2m or £3.3m) ranked 13th.

The revolving door system also exists between European Commission (EC) departments dealing with medicines and trade policies and consultancy firms that advise pharmaceutical companies, even though the EC has a 2-year 'cooling off period'.<sup>72</sup> Senior members of the European Medicine Agency dealing with critical medicines issues such as transparency of clinical trials had previously held senior positions in pharmaceutical companies. Some who left the EC have joined or set up consultancy firms that advise pharmaceutical companies on EC regulatory issues.<sup>73</sup> The doors have been revolving also with UK government staff working on intellectual property issues and subsequently moving to high positions in an industry association or to providing consultancy services to pharmaceutical companies.<sup>74</sup>

These mechanisms ensure strong channels of influence for pharmaceutical companies on governments' policies. This influence is exemplified by the US government pressure on India to change its intellectual property law to benefit companies, even at the expense of the health of the people of India.<sup>75</sup> Their influence in Europe is also great, as shown by the EC pressure on Thailand to revoke its compulsory licensing on their medicines which are important for public health.<sup>76</sup>

Companies also fund patients' groups, who call on government to finance the medicines they need, but without challenging the high prices of such drugs. Twelve major pharmaceutical companies, including Abbott, Johnson & Johnson, Merck, and Pfizer, fund more than 65 patients' groups in Latin America, as well as their umbrella, the International Alliance of Patients' Organizations.<sup>77</sup> Researchers raised questions about the effects of pharmaceutical companies' funding on patient groups' advocacy in terms of supporting intellectual property rules and not challenging companies' high prices.<sup>78</sup>



Pakistan, Mirpur Khas, Sindh. Women await their turn at the Meerwah Gorchani sub-district hospital for tubular ligation surgery, a procedure performed periodically by a visiting specialist surgeon. Photo: Peter Barker/Panos



# CONCLUSION AND RECOMMENDATIONS

Overcoming poverty requires action to reduce inequality between the rich and the poor and between women and men. This is not possible with current tax, medicines and health systems, as the high price of medicines and lack of access to free healthcare has a strong impact on women living in poverty –exacerbating the discrimination they face while enabling profits for the richest.

To help to reduce poverty and inequality, we need action to stop tax avoidance, amend the current R&D system and guard against political influencing.

Governments' inadequate funding of public health systems – partly due to the failure to collect taxes due – leads to increased out-of-pocket spending and drives people further into poverty. Every year 100 million people fall into extreme poverty because of the cost of healthcare, including medicines.<sup>79</sup>

At the same time, the companies' profitability depends on publicly funded research, public authorization of the medicines, public procurement, and public protection of intellectual property. Companies should be transparent about the cost of R&D, the results of clinical trials and the pricing of medicines. R&D must be dictated by public health needs rather than by maximizing profits, and medicines need to be affordable.

Governments need do more to reverse their race to the bottom on tax rates and policies. They should mandate basic transparency measures that would prevent abuse by multinationals, and work with other governments and international bodies on coordinated global action. Governments should allocate sufficient public resources to public health services that are free at the point of use. They should also open up budget and spending processes to ensure that public spending meets citizens' priorities. Oxfam's Fiscal Accountability for Inequality Reduction (FAIR) programme supports citizen engagement in government decisions on taxes, budgets, and expenditures, including on health, in dozens of countries around the world'.<sup>80</sup>

## **Oxfam calls on companies to:**

**Be more transparent** by publishing all information necessary for citizens to understand and assess the company's tax practices:

- Publish full country-by-country reporting of key financial information;
- Publish a full list of all company subsidiaries in every country where they operate.

**Pay their fair share** by aligning tax payments with actual economic activity:

- Publicly commit to pay tax on profits where value is created and economic activity takes place, and to stop artificially shifting profits to low tax jurisdictions;
- Take concrete steps to progressively align economic activities and tax liabilities, including shutting down subsidiaries in tax havens when a primary purpose of those subsidiaries is to avoid taxation.

**Use their influence responsibly** to shape a more equitable tax system for sustainable and inclusive growth:

- Publicly commit to advocate for greater transparency, for an end to abusive tax practices, and for stronger international cooperation to stop the dangerous race to the bottom on corporate tax.

**Enable access to affordable medicines for all by:**

- Publicly declaring actual spending on R&D, production, and marketing of medicines and committing to full transparency on medicine prices, results of clinical trials, and patent information;
- Publicly declaring support for the UN High-Level Panel on access to medicines and its recommendations, including governments' right to use mechanisms in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights to reduce medicine prices, affirming that intellectual property protection must not take precedence over public health needs.

**Oxfam calls on governments to:**

**Require companies to adhere to full transparency and pay their fair share of taxes**

- Mandate and implement public country-by-country financial reporting for all large multinational corporations;
- Require large multinational corporations to pay a fair, effective tax rate on their profits, strengthen rules to discourage profit shifting, and act against tax havens. Specifically, the UK government should:
  - Review the Patent Box and related reliefs for R&D to understand their effectiveness and impact on tax revenues;
  - Strengthen CFC rules to make it harder for companies to avoid tax;
  - Work with other countries to look at how a minimum effective tax rate for companies could be established.

**Ensure access to medicines for all patients**

- Require corporations to disclose the cost of R&D, production, and marketing of medicines before approving product registration;
- Implement the recommendations of the UN High-Level Panel report at the national level and call for implementation by international institutions including the WHO, the WTO, and the UN;
- Invest in gender-responsive public health services that are free for patients at the point of use. Donors should invest in supporting governments' actions to secure free gender-responsive public health services;
- Ensure public health services are delivered in a way that recognizes gender inequality in accessing them and seeks to reduce gender inequality through their provision.

## NOTES

- 1 In 2013, Abbott spun off its proprietary R&D-based pharmaceutical business into a separate corporation named Abbvie, while Abbott focused on medical devices, diagnostics, nutrition, and branded generic pharmaceuticals. See PR Newswire: Abbott Completes Separation of Research-Based Pharmaceuticals Business. 2 January 2013. <https://www.prnewswire.com/news-releases/abbott-completes-separation-of-research-based-pharmaceuticals-business-185406542.html> Abbott does not sell pharmaceuticals in the US, although it does continue to sell pharmaceutical products as a major part of its global business. While Abbott, like Johnson & Johnson, provides a variety of healthcare services and products, this report refers to Abbott as a pharmaceutical or drug company. In addition, this report focuses on the US-based pharmaceutical company Merck and Company, Inc., sometimes known as Merck Sharp & Dohme (MSD) outside the US, not the German-based pharmaceutical company Merck KGaA.
- 2 This briefing note is based on the report M. Fried (2018). Prescription for Poverty: Drug companies as tax dodgers, price gougers, and influence peddlers. Oxfam. <http://policy-practice.oxfam.org.uk/publications/prescription-for-poverty-drug-companies-as-tax-dodgers-price-gougers-and-influe-620548> which looks in detail at the practices of the four companies in 21 countries. This briefing note focuses on the four companies in relation to the UK, identifying relevant data from the research and analysing the UK context. Oxfam initially reviewed financial data on the 10 largest US multinational pharmaceutical companies. Based on the evidence gathered – particularly evidence linking the tax practices of the US companies with revenue loss in developing countries and taking into account data availability – we looked in more detail at four of those companies for deeper analysis.
- 3 Figures from the Oxfam report Prescription for Poverty are reported in the original US dollars used in that research, with the equivalent in £ Sterling converted at £1 = \$1.273 (as of 17 August, using oanda.com). For the UK figures, the original data from financial statements is used, hence the £ Sterling numbers are used.
- 4 The UK government has implemented BEPS project actions (though some analysts have highlighted that some measures are not as strong as they could be, see for example <https://www.taxjournal.com/articles/uk-doing-u-turn-beps-11012017> 'Is the UK doing a U-turn on BEPS?' in *Tax Journal* (11.1.2017), and relevant EU laws to tackle tax avoidance. The UK government has also introduced its own measures, including the Diverted Profits Tax, see Debevoise & Plimpton Diverted Profits Tax (DPT) and BEPS, available at [https://beps.debevoise.com/pdf/diverted\\_profits\\_tax\\_beps.pdf](https://beps.debevoise.com/pdf/diverted_profits_tax_beps.pdf)
- 5 Health Action International (2012). Big Pharma Spends Over €40 Million per Year Lobbying in the EU, Dwarfing Public Health NGOs. Available at: <http://haiweb.org/publication/big-pharma-spends-over-e40-million-per-year-lobbying-in-the-eu-dwarfing-public-health-ngos/>
- 6 Case Studies in US Trade Negotiation. Volume I Trade-Related Aspects of Intellectual Property Rights. Institute for International Economics. Retrieved from [https://piie.com/publications/chapters\\_preview/392/03iie3624.pdf](https://piie.com/publications/chapters_preview/392/03iie3624.pdf)
- 7 Indian Express (2016, 21 June). Modi govt surrendering to pressure of US pharma lobby, says Congress leader Anand Sharma. Available at: <https://indianexpress.com/article/india/india-news-india/fdi-modi-govt-surrendering-to-pressure-of-us-pharma-lobby-says-congress-leader-anand-sharma-2866153/>
- 8 Washington College of Law (2009). Timeline for US-Thailand Compulsory License Dispute. Available at <http://infojustice.org/wp-content/uploads/2012/11/pijip-thailand-timeline.pdf>
- 9 F. Rhodes (2016). Women and the 1%: How extreme economic inequality and gender inequality must be tackled together. Oxfam. Retrieved from: <https://policy-practice.oxfam.org.uk/publications/women-and-the-1-how-extreme-economic-inequality-and-gender-inequality-must-be-t-604855>
- 10 X. Scheil-Adlung (2016). Health Workforce: A global supply chain approach: New data on the employment effects of health economies in 185 countries. ILO. Retrieved from [http://www.ilo.org/wcmsp5/groups/public/-ed\\_protect/-soc\\_sec/documents/publication/wcms\\_537419.pdf](http://www.ilo.org/wcmsp5/groups/public/-ed_protect/-soc_sec/documents/publication/wcms_537419.pdf)
- 11 F. Rhodes (2016) Women and the 1%. Op. cit.
- 12 F. Rhodes (2016) Women and the 1%. Op. cit.
- 13 World Bank and World Health Organization (2017). Half the world lacks access to essential health services, 100 million still pushed into extreme poverty because of health expenses. Retrieved from: <http://www.worldbank.org/en/news/press-release/2017/12/13/world-bank-who-half-world-lacks-access-to-essential-health-services-100-million-still-pushed-into-extreme-poverty-because-of-health-expenses>
- 14 FactTank (2013). How South Africa Changed, and didn't, over Mandela's lifetime. Pew Research Centre. <http://www.pewresearch.org/fact-tank/2013/12/06/chart-of-the-week-how-south-africa-changed-and-didnt-over-mandelas-lifetime/> Note that the PP equivalent of the average \$7,500 income is around \$12,300, but that income for black South Africans, and particularly black women, tends to be substantially lower.
- 15 Global Health Check (2017). Tobeka Daki: Denied a chance to live. Retrieved from: <http://www.globalhealthcheck.org/?s=tobeka>
- 16 The World Bank website. The World Bank in South Africa. <https://www.worldbank.org/en/country/southafrica/overview>
- 17 Department of Health, South Africa (2015). National Health Insurance for South Africa: Towards universal health coverage. Retrieved from: <https://www.health-e.org.za/wp-content/uploads/2015/12/National-Health->

Insurance-for-South-Africa-White-Paper.pdf;

C. Tomlinson et al. (2017). Exploring Patent Barriers to Cancer Treatment Access in South Africa: 24 medicine case studies. Retrieved from: <https://www.canceralliance.co.za/wp-content/uploads/2018/02/Exploring-Patent-Barriers-to-Cancer-Treatment-Access-in-SA-24-Medicine-Case-Studies-October-2017-update-January-2018.pdf>

- 18 UNFPA (2017). State of the World's Population 2017. UNFPA. Retrieved from <https://www.unfpa.org/swop>
- 19 US Government Accountability Office (GAO) (2017). Drug Industry: Profits, Research and Development Spending, and Merger and Acquisition Deals. GAO-18-40 (2017), 16.
- 20 US House of Representatives, Committee on Oversight and Government Reform (2018). Skyrocketing Drug Prices: Year One of the Trump Administration. Democratic Staff Report, May 11, 2018, 2. Retrieved from: <https://democrats-oversight.house.gov/sites/democrats.oversight.house.gov/files/Skyrocketing%20Drug%20Prices-Year%20One%20of%20the%20Trump%20Administration.pdf>
- 21 Ibid., p5.
- 22 H. Devlin (16.11.2017) 'Thousands to benefit as 'breakthrough' breast cancer drugs approved for NHS use' in *The Guardian*. Available at: <https://www.theguardian.com/society/2017/nov/16/thousands-to-benefit-as-breakthrough-breast-cancer-drugs-approved-for-nhs-use-palbociclib-ribociclib>
- 23 NHS England (2018, 6 June). NHS England strikes deal on new NICE recommended lung cancer immunotherapy drug. Available at: <https://www.england.nhs.uk/2018/06/nhs-england-strikes-deal-on-new-nice-recommended-lung-cancer-immunotherapy-drug/>
- 24 Ibid.
- 25 S. Boseley (2018, 9 April). Why do new medicines cost so much, and what can we do about it? *The Guardian*. Available at: <https://www.theguardian.com/news/2018/apr/09/why-do-new-medicines-cost-so-much-and-what-can-we-do-about-it>
- 26 N. Grover (2017, 2 May). Merck's profit tops estimates. *Business Insider*. Available at: <http://uk.businessinsider.com/r-merck-profit-tops-estimates-as-margins-rise-co-raises-2017-forecast-2017-5?r=US&IR=T>
- 27 Oxfam identified 1,381 subsidiaries of the four companies and found publicly available data for 360 of them: 53 in developing countries, 223 in advanced economies, and 84 in tax havens. The developing countries examined were Chile, Colombia, Ecuador, India, Pakistan, Peru, and Thailand; the wealthy countries were Australia, Denmark, France, Germany, Italy, New Zealand, Spain, and the UK; and the tax havens were Belgium, Ireland, the Netherlands, and Singapore.
- 28 Global profit rates are derived from annual 10-K filings with the US Securities and Exchange Commission. Oxfam calculated the profit margins in developing countries, advanced economies, and tax havens by taking the profits of all subsidiaries per jurisdiction divided by total turnover. See for more information, methodological annex in M. Fried (2018). Prescription for Poverty. Oxfam.
- 29 Oxfam was unable to obtain tax data in the most secretive tax havens (e.g. Bermuda, Cayman Islands, Switzerland), and instead examined data from those countries that are tax havens but have some actual manufacturing or research facilities. These seem to be used by the companies as 'pivots,' where profits are allocated before being allocated yet again to the more secretive jurisdictions.
- 30 Institute on Taxation and Economic Policy (ITEP) (2017, 17 October). Offshore Shell Games 2017. Retrieved from: <https://itep.org/offshoreshellgames2017/>
- 31 Americans for Tax Fairness (2017). The Pharma Big 10: Price Gougers, Tax Dodgers. p. 22.
- 32 Institute for Taxation and Economic Policy, quoted in Rochelle Toplensky (2018). Multinationals Pay Lower Taxes Than a Decade Ago. *Financial Times*. March 12, 2018.
- 33 Americans for Tax Fairness. Op. cit.
- 34 Ibid.
- 35 See Reuters (2018, 18 June). How U.S. tax reform rewards companies that shift profit to tax havens. Retrieved from: <https://www.reuters.com/article/us-usa-tax-abbvie/how-u-s-tax-reform-rewards-companies-that-shift-profit-to-tax-havens-idUSKBN1JE12Q>



- 36 The repatriation tax rate of 15.5% only applied to post-1986 earnings and profits considered to be cash and cash equivalents. All other repatriations were taxed at 8%.
- 37 R. Toplensky (2018). Multinationals Pay Lower Taxes Than a Decade Ago. Financial Times. Retrieved from: <https://www.ft.com/content/2b356956-17fc-11e8-9376-4a6390addb44>
- 38 These figures are approximations that represent the difference between the taxes the companies say they actually pay and what they would pay under a system of global apportionment that assumes profit margins are equal across countries. They are conservative estimates, and were calculated using the method put forth in ICTD Working Paper 44, 'Developing Country Revenue Mobilisation: A Proposal to Modify the 'Transactional Net Margin' Transfer Pricing Method' by Michael Durst (January 2016).
- 39 'Get information about a company': <https://www.gov.uk/get-information-about-a-company>
- 40 For example, our method does not use consolidated data at the country level, since this is not available. Therefore, where subsidiaries in the same country trade with each other some data is double-counted, which can accentuate trends.
- 41 Oxfam recommends that companies publish country-by-country reports which present key data points including revenue, tax and profit, on a consolidated basis at the country level. This would exclude intra-group transactions within a country and provide a clearer view of the real economic activity taking place. In our data, intra-group transactions are double-counted.
- 42 For example, the losses made by two related Abbott UK subsidiaries in 2014 results in a negative profit margin overall for the three years. Putting aside these two related subsidiaries (and the effects of double counting their loss) would result in a positive profit margin for Abbott, and therefore make the UK overall more in line with the global averages. With public country-by-country reporting, we would have a better idea of the total tax impact of the whole company in the UK, and be more able to identify the potential reasons for tax underpayments.
- 43 R.Toplensky (2018). Op. cit.
- 44 HM Treasury (2018). Corporate tax and the digital economy: position paper update. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/689240/corporate\\_tax\\_and\\_the\\_digital\\_economy\\_update\\_web.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/689240/corporate_tax_and_the_digital_economy_update_web.pdf)
- 45 Council of the European Union website 2018. Available at: [http://www.consilium.europa.eu/register/en/content/out?typ=SET&i=ADV&RESULTSET=1&DOC\\_TITLE=&CONTENTS=&DOC\\_ID=6972percent2F18&DOS\\_INTERINST=&DOC\\_SUBJECT=&DOC\\_SUBTYPE=&DOC\\_DATE=&document\\_date\\_from\\_date=&document\\_date\\_from\\_date\\_submit=&document\\_date\\_to\\_date=&document\\_date\\_to\\_date\\_submit=&MEET\\_DATE=&meeting\\_date\\_from\\_date=&meeting\\_date\\_from\\_date\\_submit=&meeting\\_date\\_to\\_date=&meeting\\_date\\_to\\_date\\_submit=&DOC\\_LANCD=EN&ROWSPP=25&NRROWS=500&ORDERBY=DOC\\_DATE+DESC](http://www.consilium.europa.eu/register/en/content/out?typ=SET&i=ADV&RESULTSET=1&DOC_TITLE=&CONTENTS=&DOC_ID=6972percent2F18&DOS_INTERINST=&DOC_SUBJECT=&DOC_SUBTYPE=&DOC_DATE=&document_date_from_date=&document_date_from_date_submit=&document_date_to_date=&document_date_to_date_submit=&MEET_DATE=&meeting_date_from_date=&meeting_date_from_date_submit=&meeting_date_to_date=&meeting_date_to_date_submit=&DOC_LANCD=EN&ROWSPP=25&NRROWS=500&ORDERBY=DOC_DATE+DESC)
- 46 E. Berkhout (2016). Tax Battles: The dangerous global race to the bottom on corporate tax. Oxfam. Retrieved from: <https://policy-practice.oxfam.org.uk/publications/tax-battles-the-dangerous-global-race-to-the-bottom-on-corporate-tax-620159>
- 47 Institute on Taxation and Economic Policy (2017). The use of offshore tax havens by Fortune 500 companies. Available at <https://itep.org/offshoreshellgames2017/>
- 48 See, for example, Institute on Economic Policy and Taxation (2017). American Corporations Tell IRS that 61 Percent of Their Offshore Profits Are in 10 Tax Havens. Retrieved from: <https://itep.org/american-corporations-tell-irs-that-61-percent-of-their-offshore-profits-are-in-10-tax-havens/>
- 49 For example: AngloAmerican (2018). Tax And Economic Contribution Report 2017. Available at: <http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/annual-updates-2018/tax-and-economic-contribution-report-2017.pdf>
- Unilever website, web page on tax. Available at: <https://www.unilever.com/sustainable-living/what-matters-to-you/tax.html>
- AB Inbev: Our Approach to Tax 2016. Available at: <https://www.ab-inbev.com/content/dam/universaltemplate/ab-inbev/investors/sabmiller/reports/our-approach-to-tax-reports/tax-report-2016.pdf>
- RB: Our tax strategy (2017). Available at: <https://www.rb.com/media/3148/rb-tax-strategy-2017.pdf>
- SSE (2018). Being transparent about tax: talking tax 2017. Available at: [http://sse.com/media/484646/SSE\\_TaxReport\\_October-2017.pdf](http://sse.com/media/484646/SSE_TaxReport_October-2017.pdf)

- 51 Vodafone made its commitment clear in its 2016–17 report: Taxation and our total economic contribution to public finances. See:  
[https://www.vodafone.com/content/dam/sustainability/pdfs/vodafone\\_2017\\_tax.pdf](https://www.vodafone.com/content/dam/sustainability/pdfs/vodafone_2017_tax.pdf)
- 52 S.Picciotto and J. Kadet (2015). Comments on BEPS Action 3: Strengthening the Rules on Controlled Foreign Corporations (CFCs). Retrieved from:  
<https://bepsmonitoringgroup.files.wordpress.com/2015/05/ap3-controlled-foreign-corporations.pdf>
- 53 See the HM Treasury consultation on proposed changes to the UK's implementation of the EU Anti Tax Avoidance Directive, available at: <https://www.gov.uk/government/publications/hybrid-and-other-mismatches-anti-tax-avoidance-directive>
- 54 William Lazonick, Matt Hopkins, Ken Jacobson, Mustafa Erdem Sakinç and Öner Tulum (2017, 13 July). US Pharma's Financialized Business Model. Institute for New Economic Thinking. Working Paper 60. P4. Retrieved from: [https://www.ineteconomics.org/uploads/papers/WP\\_60-Lazonick-et-al-US-Pharma-Business-Model.pdf](https://www.ineteconomics.org/uploads/papers/WP_60-Lazonick-et-al-US-Pharma-Business-Model.pdf) Stock buybacks boost share prices as well as CEO compensation linked to share price.
- 55 D. Gotham, C. Redd, M. Thaysen, T. Ha, H. Chow and K. Athersuch (2017). Pills and profits: how drug companies make a killing out of public research. Global Justice Now and Stop Aids. Available at: <https://stopaids.org.uk/wp/wp-content/uploads/2017/10/Pills-and-profits-report-WEB-002.pdf>
- 56 Sildenafil (Viagra) failed in clinical trials to treat pulmonary pressure, but the trial participants reported the effect on erection.
- 57 Jonathan D. Rockoff (2015, 9 December). How Pfizer Set the Cost of Its New Drug at \$9,850 a Month. *Wall Street Journal*. Retrieved from: <https://www.wsj.com/articles/the-art-of-setting-a-drug-price-1449628081>
- 51 K.Amadeo (2018, 16 May). Medical Bankruptcy and the Economy: Do Medical Bills Really Devastate America's Families? *The Balance*. Available at: <https://www.thebalance.com/medical-bankruptcy-statistics-4154729>
- 59 See data from Trading Economics. Available at: <https://tradingeconomics.com/south-africa/gdp-per-capita>
- 60 Dzintars Gotham, Joseph Fortunak, Anton Pozniak, Saye Khoo, Graham Cooke, Frederick E. Nytko III, and Andrew Hill (2017). Estimated Generic Prices for Novel Treatments for Drug-Resistant Tuberculosis. *Journal of Antimicrobial Chemotherapy*. 72:4,1243–52. Retrieved from: <https://academic.oup.com/jac/article/72/4/1243/2884272>
- 61 World Bank and World Health Organization (2017, 13 December). Half the world lacks access to essential health services, 100 million still pushed into extreme poverty because of health expenses. Available at: <http://www.worldbank.org/en/news/press-release/2017/12/13/world-bank-who-half-world-lacks-access-to-essential-health-services-100-million-still-pushed-into-extreme-poverty-because-of-health-expenses>
- 62 Report of the UN Secretary-General's High-Level Panel on Access to Medicines (2016). Retrieved from: <http://www.unsgaccessmeds.org/final-report/>
- 63 For example, 'Key issues to address are financing for health, improvements in health infrastructures, and enhancement of healthcare worker capacity and patients' literacy. The majority of the HLP recommendations fail to recognize these complexities as well as the many existing and innovative efforts already taking place to advance access to care in the last two decades. In addition, the report seems to take a reductive approach to the facts around the pharmaceutical research and development model, carrying the potential of unintended consequences on spurring future medical progress.' The full press release is at: International Federation of Pharmaceutical Manufacturers and Associations (2016, 14 September). Biopharmaceutical industry calls the recommendations of UN High Level Panel on Access to Medicines a missed opportunity to genuinely address patients' needs. Available at: <https://www.ifpma.org/resource-centre/biopharmaceutical-industry-calls-the-recommendations-of-un-high-level-panel-on-access-to-medicines-a-missed-opportunity-to-genuinely-address-patients-needs/>
- 64 Oxfam (2017). High-Priced Medicines and Lack of Needs-Driven Innovation: A Global Crisis That Fuels Inequality. Oxfam Issue Briefing. Retrieved from: <https://oxf.am/2ysz4PR>
- 65 A. Withnall (2017, 16 April). UK to invest £450m fighting world's most neglected tropical diseases. *The Independent*. Available at: <https://www.independent.co.uk/news/uk/home-news/neglected-tropical-diseases-uk-aid-dfid-priti-patel-geneva-summit-ntds-bill-gates-foundation-a7685646.html>

- 66 Health Action International (2012, 28 March). Big Pharma Spends Over €40 Million per Year Lobbying in the EU, Dwarfing Public Health NGOs. Available at: <http://haiweb.org/publication/big-pharma-spends-over-e40-million-per-year-lobbying-in-the-eu-dwarfing-public-health-ngos/>
- 67 Ibid.
- 68 Oxfam calculations are based on data from the Center for Responsive Politics, 'Industry Profile 2017,' OpenSecrets.org, 'Industry Profile: Summary 2017,' <https://www.opensecrets.org/lobby/indusclient.php?id=h04&year=2017>
- 69 Lighthizer's firm was Skadden, Arps, Slate, Meagher & Flom LLP.
- 70 Center for Responsive Politics, 'Industry Profile: Summary, 2017.'
- 71 Ibid. The proportion of so-called 'revolvers' working for the pharmaceutical industry has held steady at about 60% since 2010. See Center for Responsive Politics (2017). Lobbyists Representing Pharmaceutical Research & Manufacturers of America, 2017. OpenSecrets.org. Retrieved from: <https://www.opensecrets.org/lobby/clientbs.php?id=D000000504&year=2017>
- 72 Corporate Europe Observatory (2014, 12 June). EMA's revolving door with Big Pharma – alive and well. Available at: <https://corporateeurope.org/revolving-doors/2014/06/emas-revolving-door-big-pharma-alive-and-well>
- 73 Ibid.
- 74 See, for example, T. Jefferson (2017, 6 December). The UK turns to Witty, Vallance, and Van Tam for leadership: revolving doors? Available at: <https://blogs.bmj.com/bmj/2017/12/06/tom-jefferson-the-uk-turns-to-witty-vallance-and-van-tam-for-leadership-revolving-doors/> and <https://www.ifpma.org/people/andrew-jenner/>
- 75 <https://www.firstpost.com/business/us-pressure-on-india-to-grant-more-patents-on-pharma-products-appalling-say-health-advocates-3760211.html>
- 76 <http://infojustice.org/wp-content/uploads/2012/11/pijp-thailand-timeline.pdf>
- 77 The International Alliance of Patients' Organizations (IAPO) 2014 budget of \$3.38m included \$100,000 from Johnson & Johnson, \$60,000 from Pfizer, and \$43,000 from Merck. On IAPO, see <https://www.iapo.org.uk/> The companies fund similar patients' groups in wealthy countries. See Emily Kopp, Sydney Lupkin, and Elizabeth Lucas (2018, 6 April). Patient Advocacy Groups Take in Millions from Drugmakers: Is There a Payback?. Kaiser Health News (KHN). Retrieved from: <https://khn.org/news/patient-advocacy-groups-take-in-millions-from-drugmakers-is-there-a-payback/>
- 78 British Medical Journal (2017, 14 March). Industry links with patient organisations. Available at: <https://www.bmj.com/content/356/bmj.j1251/rr-2>
- 79 World Bank and World Health Organization (2017, 13 December). Half the world lacks access to essential health services, 100 million still pushed into extreme poverty because of health expenses. Available at: <http://www.worldbank.org/en/news/press-release/2017/12/13/world-bank-who-half-world-lacks-access-to-essential-health-services-100-million-still-pushed-into-extreme-poverty-because-of-health-expenses>
- 80 I. Crabtree Condor, S. Hall and S. Verwer (2016). Fiscal Justice Global Track Record: Oxfam's tax, budget and social accountability work. Oxfam. Retrieved from: <https://policy-practice.oxfam.org.uk/publications/fiscal-justice-global-track-record-oxfams-tax-budget-and-social-accountability-620087>



A young mother waits with her baby for an appointment in a public hospital in San Juan de Lurigancho in Lima, the most populated district of the country. Photo: Martin Mejia/AP

## OXFAM

Oxfam is an international confederation of 20 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit [www.oxfam.org](http://www.oxfam.org)