



24 June 2009

H.E. Gloria Macapagal-Arroyo
President
Republic of the Philippines

Dear Madam President,

As the new President of the US-ASEAN Business Council, I'd like to extend my warmest greetings to you and your administration from Washington DC. I look forward to continuing the Council's long history of supporting US-Philippines bilateral relations in the years to come and to continuing to improve the already strong ties between the people of the Philippines and the United States.

The purpose of this note is to bring to your attention a concern that I have that the approaches to implementing the policy reforms to improve access to medicines in the Philippines, may produce unnecessary economic impact and unintended consequence for the overall US-Philippines bilateral relationship. Specifically, the June 8th proposal to impose "maximum retail prices" (MRP) on 22 medicines subject to state-mandated price ceilings is troubling to many in the US, because many of the affected manufacturers of the products have had no opportunity to participate in a consultative process.

As my predecessor Matt Daley noted in his May 18th letter, the Council and our members remain committed to working with your government in the area of health and life sciences. You may recall that during the breakfast meeting the Council hosted for you in Washington earlier this year, several of our pharmaceutical companies noted their appreciation for having the opportunity to comment on the formulation of Cheaper Medicines Act and the voluntary efforts they were making to lower the prices of their products. The industry also noted a desire for further consultations on the implementation of the Cheaper Medicines Act, as part of a broader public-private sector dialogue on strengthening the overall public health care system to support economic growth and competitiveness in the Philippines.

It is in the above context that the potential imposition of up to 50% cuts in retail prices for a list of medicines without an opportunity for consultation with the manufacturers of the products could create a new challenge to our efforts to deepen US-Philippines economic relations. I recognize that the MRP provisions under the Act allow for the Department of Health to implement price caps on pharmaceutical products. However, it is my understanding that the Act requires that MRP's are supposed to be used only "as a reserve instrument" when "full competition is not effective" and only "with clear accountability by the implementing authority". The Act also calls for a "just and reasonable" determination of MRPs. A just and reasonable determination should involve information provided through consultations with each individual company that produces a medicine subject to an MRP.