

## BUSINESS

## In desperation, making medicine at home

## DRUGS, FROM PAGE 1

Lower prices send Americans to Canada and Mexico looking for the medicines they need. Patients in nations as varied as Russia and Britain desperately hunt for drugs through online “buyers’ clubs” — networks that scour the world for cheaper generic medicines.

In China, the public has become increasingly concerned about access to drugs, putting pressure on the leadership. This summer’s box office hit, “Dying to Survive,” was based on the real-life story of a Chinese leukemia patient who ran a buyers’ club, smuggling generic drugs from India to save himself and others. It was almost universally lauded for shedding light on the difficulties of getting cancer drugs in China.

The movie’s popularity prompted Premier Li Keqiang to call for speeding up price cuts for the medication. China’s growing affluence has led to greater expectations among its people. The Communist Party’s grip on power depends heavily on providing improved opportunities for the public, including better health care.

“I don’t know whether they can do that,” said Zhou Jun, the executive director of the U.S.-China Healthcare Cooperation Program in Beijing, a group that fosters closer working relations between the countries. “It’s going to be a challenge.” (Mr. Zhou died of cancer several months after speaking to The New York Times.)

## COST OF LIVING

Last year, the police raided Hong Ruying’s modest apartment in southwestern China. Under a television, they found what they were looking for: medicine to treat chronic kidney disease.

Mr. Hong, who is unemployed and has kidney dialysis three times a week, explained that the drugs — cheap knock-offs of Western pharmaceuticals from India — were for him.

The officers seized the drugs, warning that they were not approved by the country’s regulators. Then, the officers let him go.

After the raid, Mr. Hong continued to receive drugs in monthly packages — and they weren’t all for him. Mr. Hong is known in China as a drug “daigou,” or “purchasing agent,” who procures pharmaceuticals through dubious means for people who can’t afford them or don’t have access to them.

While many Chinese use daigou to buy South Korean facial masks made of snail slime or other products such as edible birds’ nests or infant formula from Australia, others rely on people like Mr. Hong to stay alive.

“I have this disease, and if they want to convict me, there’s nothing I can do,” Mr. Hong said. “What is the difference between going to jail and being sick? There is no freedom.”

While China has achieved near-universal health insurance, the coverage is shallow. Patients must pay about 30 percent of costs out of pocket, compared with an average of about 10 percent in the United States. Many drugs aren’t covered.

The paltry coverage exposes hundreds of millions of Chinese to sharply rising costs.

In the first three quarters of last year, China’s health care expenditure per capita rose 13.2 percent, compared with a 9.1 percent increase in disposable income per capita, according to government data.

That leads many Chinese to smuggling, especially from India, where the prices of many drugs are capped. In China, the drug that Mr. Hong needed



Zhang Zhejun, a salesman in Hebei, China, making his own drugs from ingredients purchased online to give to his mother, who suffered from lung cancer.



Above, generic drugs smuggled from India into China. Right, a pharmacy in Shenyang, in the northeastern Chinese province of Liaoning. Major bureaucratic hurdles keep lifesaving drugs out of the reach of millions, and drug approvals remain dauntingly backlogged.



MARK/EUROPEAN PRESSPHOTO AGENCY

cost just over \$4,200 a year, 10 times the price in India.

Some health experts are torn about encouraging the use of drugs that aren’t approved. “I find it hard to give a one-size-fits-all view on whether they should or shouldn’t do it,” said Gordon Liu, the director of Peking University’s China Center for Health Economic Research and a government adviser. “Some generics from India are likely to offer newer treatments than the existing medicines in the mainland,” Mr. Liu said.

He added: “You’re acquiring drugs through informal channels. Not only are you taking on economic risks, but also the uncertainty of the technology.”

Dr. Shen Lin, director of digestive oncology at the Peking University Cancer Hospital, said several of her patients on long-term medication couldn’t afford the drugs anymore and had asked whether they could use generics from India. She has tried to dissuade them, saying she couldn’t vouch for drugs from unofficial sources.

Still, she said, “if they continue on their path, they would go bankrupt.”

## MAKING THE LIST

To survive, many Chinese need foreign-made drugs. But they can be costly, when they are available at all.

First, drugs need to be approved. From 2001 to 2016, China approved just

over 100 new drugs, about one-third the number in developed countries, according to the China Food and Drug Administration. Drugs can take six to seven years to get the green light, turning cancer for many into a death sentence.

Late last year, the Chinese authorities said they would begin allowing drug companies to submit data from foreign clinical trials, along with other steps to speed up reviews. Approval times have dropped to two to three years. China has thinned its backlog of new drugs waiting for approval to 4,000 from 22,000 in 2017. The government is also pushing to develop more innovative, less costly pharmaceuticals to combat life-threatening diseases.

## “What is the difference between going to jail and being sick? There is no freedom.”

Still, the agency remains short staffed. China had roughly 600 reviewers at the end of 2016, compared with thousands in the United States.

Once approved, the drugs have to qualify for coverage under one of China’s insurance plans. That means earning a spot on the National Reimbursement Drug List — and that can take years. Beijing added 36 drugs to the list in 2017 and 17 this year. The last update was in 2009.

When the drugs do arrive, many Chinese patients, like Yao Xianghua, can’t afford them, even if they have government coverage.

A petite former elementary school teacher with blunt bangs, Ms. Yao had lung cancer that didn’t respond to surgery or a form of treatment called biotherapy. She was 68 in 2011, when the cancer was first diagnosed, and she felt she was too old to undergo chemotherapy and radiation.

“I give up,” she told her son, Zhang Zhejun. “I’m resigned to my fate.”

Her doctor prescribed Iressa, a drug made by AstraZeneca that keeps cancer cells from multiplying. The drug had been added to the reimbursement drug list after AstraZeneca agreed to halve the price to just under \$1,000 a month.

It was still too expensive. Ms. Yao was covered by China’s “rural cooperative

medical scheme,” which provides only modest benefits compared with the insurance for urban residents. She received a monthly pension of \$460. Her son said the rural scheme at that time did not pay for imported drugs.

Mr. Zhang vowed to save her. He quit a decent-paying job and moved in with his parents in a barely furnished apartment in Jinzhou, a largely industrial and heavily polluted city.

Mr. Zhang discovered that India made a cheaper, generic version of Iressa. It worked for a while. But Ms. Yao developed a resistance to it after about nine months. Mr. Zhang needed alternatives.

He went online.

## DO-IT-YOURSELF DRUGS

China in recent years has become the world’s largest home of internet users. Many Chinese now shop almost exclusively in internet bazaars that offer items including cars, groceries, hot meals and jewelry.

They can also buy pharmaceuticals — even the raw ingredients to make drugs illegally.

Many start on forums devoted to patients when they can’t get answers anymore. The two most popular are “I Want Miracles,” which is dedicated to helping people with lung cancer, and “Dances With Cancer.” The forums combined have just over 440,000 members.

“This is the current state of health care in China,” said Chen Yun, who runs “I Want Miracles.” “Every doctor is just too busy, and there’s no way that they can explain many things to you clearly. But if you want to figure it out, you just have to learn by yourself.”

Desperate to help his mother, Mr. Zhang did a basic search: “What to do after patient develops drug resistance on Iressa?” He happened upon “Dances With Cancer” and an active participant and a longtime cancer patient called “Bean Spirit,” who wrote a manual on how to make drugs at home.

Mr. Zhang, who previously worked at a pharmaceutical factory but was not involved in making drugs, started on his own version. He bought the ingredients for AstraZeneca’s Tagrisso, a lung cancer drug. He spent just over \$150 for a month’s worth of ingredients, plastic capsules and an electronic scale.

When the drugs stopped working for his mother, Mr. Zhang began making others. He started having sleepless nights, worried that he would not be able to find the ingredients each time a drug stopped working.

“You don’t know whether the thing that’s ahead of you is a pit or a road,” he said, wiping tears off his face. “But you must go forward. You can’t stop.”

In July 2017, Mr. Zhang started making WZ4002, yet another drug. It was discovered in 2005 by the Dana-Farber Cancer Institute in Boston but has not been approved by regulators in the United States or China.

His mother told Mr. Zhang that it caused dizzy spells. Earlier, she had come down with a severe bout of diarrhea after taking one of the homemade drugs and had to be hospitalized for a month.

Both mother and son shrugged off any side effects.

Ms. Yao died in October 2017, two years after Mr. Zhang started making drugs for her. The cause of death was gastrointestinal bleeding and acute bronchitis. Mr. Zhang said it was unclear whether the drugs that he had made were the cause.

Research was contributed by Zhang Tianfan, Tang Yucheng, Zoe Mou and Elsie Chen.

## Trump’s economic advisers bicker over trade war

## WASHINGTON

## Feuding comes as president considers auto tariffs and prepares to meet with Xi

BY ALAN RAPPEPORT AND GLENN THRUSH

President Trump’s trade war has provoked an internal fight among his top economic advisers, with officials sparring both publicly and behind the scenes over the best approach to dealing with China, the European Union and other trading partners.

The disagreements spilled into view on Tuesday as Larry Kudlow, the director of the National Economic Council, accused Peter Navarro, a top trade adviser, of doing the president “a great disservice” by making hawkish comments about trade talks with China.

Mr. Kudlow said Mr. Navarro’s speech last week — which included a prediction that Mr. Trump would have the “courage” to reject a bad trade deal with China — had not been “authorized” by the administration.

“I think Peter very badly misspoke,” Mr. Kudlow said on CNBC. “He was freelancing, and he’s not representing the president or the administration.”

He added, “I actually think he did the president a great disservice.”

The internal feuding comes at a pivotal moment, as Mr. Trump prepares to meet with President Xi Jinping of China at the summit meeting of the Group of 20 leading economies in Argentina this month and as the White House eco-

nomics team considers whether to impose tariffs on cars from Europe, Japan and other nations.

Europe’s top trade negotiator, Cecilia Malmstrom, was expected to meet with the United States trade representative, Robert E. Lighthizer, on Wednesday to discuss a framework for beginning formal trade talks.

Mr. Trump’s trade advisers are so far split over the president’s desire to impose tariffs on foreign cars and car parts. Mr. Kudlow and Treasury Secretary Steven Mnuchin have privately cautioned against such a move, and Mr. Navarro has pushed for tariffs as a way to gain greater concessions from Europe and Japan, according to people familiar with the discussions.

Mr. Kudlow, Mr. Mnuchin and others in the administration have also been encouraging Mr. Trump to make a trade deal with China and to forgo the additional tariffs he has threatened to impose on all Chinese imports. Mr. Navarro said in his speech last week that China was not playing fair and was simply trying to get the United States to the table to improve its global image.

“They want to get us to the bargaining table, sound reasonable, talk their way and have their way with us,” Mr. Navarro said at the Center for Strategic and International Studies, a nonpartisan think tank in Washington.

Mr. Navarro also lashed out at Wall Street executives with links to the administration who have been encouraging Mr. Trump to strike a quick deal.

“If there is a deal — if and when there is a deal — it will be on President Donald J. Trump’s terms. Not Wall Street terms,” Mr. Navarro said. “If Wall Street is involved and continues to insinuate it-

self into these negotiations, there will be a stench around any deal that’s consummated because it will have the imprimatur of Goldman Sachs and Wall Street.”

On Tuesday, Mr. Kudlow, an avid free trade proponent who generally opposes tariffs, said that Mr. Navarro was “way off base.”

As the administration’s most vocal critic of China, Mr. Navarro has previously clashed with Mr. Trump’s more business-minded advisers, including Mr. Mnuchin and Gary D. Cohn, who resigned as head of the National Economic Council over concerns about Mr. Trump’s protectionist trade approach.

More recently, Mr. Navarro has increasingly been at odds with Cleve Willems, a deputy director of the economic council who has been pushing back against auto tariffs, according to people familiar with the matter.

Mr. Navarro, who continues to have Mr. Trump’s ear, declined to comment.

The president’s economic team met at the White House on Tuesday to discuss a Commerce Department investigation into whether auto imports pose a threat to national security. Such a determination could lay the foundation for the White House to impose tariffs on imported cars and car parts under Section 232 of the Trade Expansion Act.

The report, which must undergo an interagency review process, is expected to outline a range of actions that Mr. Trump could take if he wants to limit imports — whether that is doing nothing or placing tariffs or imposing quotas.

Mr. Trump could hold off on announcing the tariffs as talks proceed with Europe. However, he has been increasingly frustrated by the lack of progress in negotiations.



Larry Kudlow, the director of the National Economic Council, said that hawkish remarks by Peter Navarro, a top trade adviser, had done President Trump “a great disservice.”

During an interview with The Wall Street Journal last month, Mr. Trump made clear that he planned to keep car tariffs as an option as discussions with Europe proceeded.

“If they don’t do the right thing, I’ll put tariffs on the cars,” the president said. “And if they do, there won’t be any tariffs.”

Speaking at the German Marshall Fund of the United States in Washington on Tuesday, Ms. Malmstrom noted that Mr. Trump and the president of the European Commission, Jean-Claude Juncker, agreed last summer that there would be no additional tariffs imposed as they embarked on trade talks.

“I am here to continue to develop the

talks,” Ms. Malmstrom said when asked about the prospect of auto tariffs. “We assume that if that were to happen, that that will not be for the European Union.”

But there is no indication that any such carve out exists for Europe. While Mexico and Canada managed to eke out a tacit agreement during the newly renegotiated North American Free Trade Agreement that they would not be subject to car tariffs, the European Union has won no such assurances from the United States. Instead, Mr. Trump has repeatedly cited his threat of auto tariffs as the main factor driving Europe to the negotiating table.

Formal negotiations between the United States and the European Union

will not be easy. In a Twitter post on Tuesday morning, Mr. Trump criticized France for making it hard for American winemakers to sell their products there and said, “Not fair, must change!”

However, Ms. Malmstrom said European countries were not interested in making agriculture concessions as part of a trade deal with the United States.

Industry lobbyists and analysts have warned that imposing tariffs on cars would be tantamount to a disaster, with large parts of the Midwest auto industry hurt by such a move.

“We’ve made clear we think the imposition of tariffs under Section 232 for autos or parts would be harmful to the auto industry and harmful to the economy,” said Matt Blunt, the president of the American Automotive Policy Council. “We’re certainly hopeful that the report won’t recommend the imposition of new tariffs or quotas.”

Earlier this year, the United Automobile Workers union urged the Commerce Department to take a targeted approach to any protectionist measures.

“The automotive industry is a global industry with long, complicated supply chains,” the group said. “We caution that any rash actions could have unforeseen consequences, including mass layoffs for American workers.”

Mr. Kudlow did not comment on the prospect of auto tariffs but suggested that despite Mr. Navarro’s recent remarks, talks with China were moving on a constructive path. He said that Mr. Mnuchin was having discussions with his Chinese counterpart and that there were communications happening at all levels of both governments.

“I think it’s better to talk than not talk, so that’s a plus,” Mr. Kudlow said.