

GlaxoSmithKline Alleged to Pay Bribes in China

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GlaxoSmithKline (GSK) has been accused of bribing doctors in China in order to boost sales. Chinese government officials say they have uncovered evidence of a bribery scheme involving 700 travel agencies who were used to funnel as much as three billion yuan (\$480 million) in payments.

“We found that [bribery is a core part of the activities of the company](#),” Gao Feng, the head of China’s fraud unit, said. “There is always a big boss in criminal organisations and in this case GSK is the big boss.”

Allegations about bribes at GSK first surfaced in January of this year in a series of tips made by an anonymous individual to company officials. The whistleblower alleged that the UK company made payments of \$249 to \$490 to promote Botox, a toxin used for medical purposes as well as for cosmetic purposes to get rid of wrinkles.

Soon after, the Wall Street Journal says it reviewed documents from as late as April 2013 for [an internal GSK project called “Vasily” to pay 48 doctors who promoted Botox with “either a percentage of the cash value of the prescription or educational credits”](#) depending on how many sales they made. GSK officials were encouraged to discuss the scheme on personal email accounts.

“I recommend that everyone else use a private email account because it will be better that way,” Ruiting “Candy” Chen, Glaxo central nervous system marketing manager said in an email translated by the Journal. “Remember you must send to personal email accounts, you accidentally sent to [another sales team member’s] public mail, careful next time!” wrote Any Zheng, Botox regional sales manager.

Chinese media reported on Monday that GSK allegedly made payments to the travel agencies which then transferred the money to doctors via credit cards when they made prescriptions. The travel agencies booked the payments for travel expenses to fake meetings.

GSK says it has suspended all work with the travel agencies. It also [says Vasily was never implemented and has denied the charges](#).

“We take all allegations of bribery and corruption seriously,” a spokesman said in a press statement. “We continuously monitor our businesses to ensure they meet our strict compliance procedures. [We have done this in China and found no evidence of bribery or corruption of doctors or government officials](#). However, if evidence of such activity is provided we will act swiftly on it.”

Chinese officials say that [Mark Reilly, the head of GSK operations in China, fled the country on June 27](#) and has not returned. Several other executives have been arrested.

[“The anonymous claims highlight the challenges multinational pharmaceutical companies face in China](#), one of their most significant and fastest-growing markets, because its health-care system is controlled and owned by the state and it has a tradition of government patronage and gift-giving,” write Christopher Matthews and Jessica Hodgson of the Wall Street Journal.

In reality, the comment by the Journal reporters reflects a bias on their part. GSK has been found guilty of routinely offering U.S. doctors lavish payments for promoting company products, despite the absence of a state health care system.

In July 2012 [GSK agreed to pay out \\$3 billion to settle charges on pushing bupropion and paroxetine](#) (as well as their failure to report safety data about the drug Avandia to the U.S. Food and Drug Administration) – the largest such fine ever paid by a pharmaceutical company.

The U.S. Department of Justice noted that the company gave out [“cash payments disguised as consulting fees, expensive meals, weekend boondoggles and lavish entertainment.”](#) For example, doctors who promoted Wellbutrin were taken on “training sessions” to Jamaica. “Dr. Drew,” a TV doctor, was [paid \\$275,000 in two months in 1999 alone to “deliver messages about \[Wellbutrin SR\]](#) in settings where it did not appear that Dr. Pinsky was speaking for GSK.”

Nor was it the only Western pharmaceutical company accused of paying bribes to doctors to promote its products. In August 2012, in a criminal complaint issued by the U.S. Securities and Exchange Commission, [investigators laid out detailed charges against Pfizer for paying bribes in eight countries](#): Bulgaria, China, Croatia, Czech Republic, Italy, Kazakhstan, Russia, and Serbia.

For example, [Pfizer Italy employees provided free cell phones, photocopiers, printers and televisions to doctors](#), arranged for vacations (such as “weekend in Gallipoli,” “weekend with companion” and “weekend in Rome”) and even made direct cash payments (under the guise of lecture fees and honoraria) in return for promises by doctors to recommend or prescribe Pfizer’s products.

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