

Episode 131: "The Chinese dominance of your medicine cabinet" with Rosemary Gibson

Announcer ([00:04](#)):

Welcome to The Bill Walton Show, featuring conversations with leaders, entrepreneurs, artists and thinkers, fresh perspectives on money, culture, politics and human flourishing, interesting people, interesting things.

Bill Walton ([00:25](#)):

Welcome to The Bill Walton Show. I'm Bill Walton. Last year about this time, I was fortunate enough to be joined by Rosemary Gibson, author of this very important book, China Rx, which really gets into extraordinary detail with a great deal of good writing, and it's very interesting, which exposes the risk that America faces because of our dependence on China for our medicine. I think millions of Americans are taking prescriptions, and they don't know it, and their doctors don't know it very often, how many of the drugs they're taking are made in China. Some drugs we can't even make in the United States. We can't make aspirin. We can't make penicillin, and nor can we make a lot of generic antibiotics. So China aims to become the pharmacy of the world, and that poses a lot of risks. Rosemary has written effectively about those risks and has some ideas for solutions, and we're going to dig right into it. So, Rosemary, welcome.

Rosemary Gibson ([01:32](#)):

Bill, it's really great to be with you. Thank you so much for-

Bill Walton ([01:36](#)):

[crosstalk 00:01:36]

Rosemary Gibson ([01:36](#)):

... a chance to have a great conversation on a really important subject that affects us all.

Bill Walton ([01:40](#)):

Yeah, great to see you again, although last year we did it via Zoom and at the beginning of the pandemic. Everybody was trying to figure out Zoom. As I recollect, we had these freeze frame moments where I'd talk and the thing would stop, and then we would go. So hopefully-

Rosemary Gibson ([01:54](#)):

But this is much better in person. It really is.

Bill Walton ([01:55](#)):

[crosstalk 00:01:55] in person. So let's begin at the beginning. When did China start becoming important to our drug supply chain? It starts 20, 30, 40 years ago, doesn't it?

Rosemary Gibson ([02:08](#)):

That's right, Bill. They started getting into the global market, in our market, in the 1990s, maybe a little bit in the late '80s. The China free trade deal that opened up free trade, reduced the barriers in 2000,

that's when we saw the floodgates open, and China Rx chronicles that. So one day I'm sitting in my home office and put the pieces together. It took three years to research China Rx because it was so hidden. So once we opened up free trade with China in 2000, that's when we lost our last aspirin plant. We can't make aspirin anymore. It's when we lost our last vitamin C plant. We can't make vitamin C, our last penicillin plant gone. So our trade policies have had a dramatic impact. Before that, China was doing something very smart. They were investing in infrastructure. Here we were in the 2000s and earlier just demolishing. It's really put us in a terrific disadvantage.

Bill Walton ([03:20](#)):

Well, I'm afraid I'm guilty of that. I was on Wall Street at the time in private equity and various capacities. I remember outsourcing was the rage, and going for lowest cost production anywhere in the world you can find it without really much consideration besides the cost and ability to drive down your product price. Congress passed a law that authorized manufacturing generics where they opened things up. When was that?

Rosemary Gibson ([03:50](#)):

That was done during the Reagan administration. It was the Hatch-Waxman, and it had tremendous bipartisan support. So you're right, that was in the '80s. That allowed millions of people here in the US to have more affordable drugs. So you had the branded drugs, and then you had the generics. That Hatch-Waxman bill started the generic sector of the pharmaceutical industry.

Bill Walton ([04:16](#)):

So like a lot of things that we're now paying the price for, it started with good intentions. It started to drive the cost of drugs down. It started to ... We could manufacture elsewhere besides the United States. Then you fast forward to where we are today, and as a result of a lot of things we can talk about, China now dominates the manufacture of a lot of our critical drugs. They had a cost advantage, and they drove the US manufacturers out of business sometimes with predatory practices.

Rosemary Gibson ([04:48](#)):

China did engage in illegal trade practices. China Rx is the first to document the cartel. They formed cartels, the vitamin C cartel, the penicillin cartel, and that's the playbook, just like steel. So a lot of people think, and I thought ... I knew nothing about this subject, Bill, before I started working on this.

Bill Walton ([05:10](#)):

No, your background's in palliative care, and you-

Rosemary Gibson ([05:12](#)):

It's in health care. I was just looking to write another book, and I stumbled on this subject. I'm not an expert in pharmaceuticals. I'm not an expert in China.

Bill Walton ([05:25](#)):

But you're more than that. You won a lifetime achievement award from the American Academy of Hospice and Palliative Medicine. I mean, that's a pretty big deal.

Rosemary Gibson ([05:33](#)):

Well, I've had the privilege of working at a health care foundation, the Robert Wood Johnson Foundation in Princeton, New Jersey. It was started by one of the founders of Johnson & Johnson. When he died, he left a ... There's a huge firewall between ... We had nothing to do with the company. But at the foundation, when Jack Kevorkian was out doing what he was doing with helping people end their lives-

Bill Walton ([06:00](#)):

Yeah, Dr. Death.

Rosemary Gibson ([06:01](#)):

... with assisted suicide, there was the opportunity. I was there at the foundation. I said, "What can we do about this?" Long story short, in about 15 years, I had the privilege of leading a national effort to put palliative care in the nation's hospitals. When we started in the mid '90s, there were maybe three hospitals that had something called palliative care. Now there's about 1,800, and it's brought great, tremendous benefit to patients and their families and to those who care for them because it's a more humane way. A lot of physicians and nurses, it's why they went into their professions, not just to do things to people, but to actually care for them.

Bill Walton ([06:41](#)):

Well, and so you brought that passion and that knowledge to this book. You had to have had lots of experience with different drugs and things like that as part of that process. What was the trigger that led down to the fact that we've now had this terrific exposé, I would say?

Rosemary Gibson ([07:03](#)):

I was just looking to write something that was interesting and useful. In the health space, what's our purpose? It's the relief of suffering. The palliative care work was emblematic of that, and this ... We'll talk about the quality of our drugs going down and actually harming people. So this is along that same theme, but I just stumbled on this subject, Bill. A friend of mine was testifying before the US-China Economic and Security Review Commission about supplements coming from China, the dietary supplements. That got me curious, and I just started looking and looking.

Rosemary Gibson ([07:45](#)):

What I began to find was shocking, about how dependent we are on basic medicines that run the nation's hospitals, the brand-name hospitals that everyone knows. Here we are in Washington D.C., and whether you're Johns Hopkins or Georgetown or Washington Hospital Center, Inova Fairfax, George Washington, people go into those hospitals, and they're betting their lives on that one or two-cent generic pill. They have no idea where it's coming from. We'll talk more about how the FDA just doesn't have the capacity to ensure their safety.

Bill Walton ([08:22](#)):

So if you look at the bottle of pills ... Unfortunately, I'm at the age of life where I have-

Rosemary Gibson ([08:27](#)):

Have a couple of those.

Bill Walton ([08:29](#)):

I have more than a couple. After reading this, I looked on the label to see, well, where was this manufactured? It doesn't really tell you.

Rosemary Gibson ([08:38](#)):

That's deliberate. They don't want us to know.

Bill Walton ([08:40](#)):

Deliberate. They being the Chinese, they being the drug companies?

Rosemary Gibson ([08:42](#)):

The drug companies don't want us to know.

Bill Walton ([08:45](#)):

Didn't I read somewhere ... I think maybe you pointed out that something like only 6% of Americans trust drugs made in China.

Rosemary Gibson ([08:54](#)):

Yes. There was a poll conducted about 10, 12 years ago. This is when people remembered dogs and cats dying from tainted pet food. Remember that? And the infant formula. So 96% of Americans don't trust medicines coming from China. So the industry ... There was legislation introduced about 2007, 2008, and it was killed right away. I asked someone from the industry, why did that happen? This person was very candid and said, "Well, they probably thought it was best if their customers didn't know where it would be coming from. It would be bad for business."

Bill Walton ([09:36](#)):

So it was killed by one of the Big Pharma companies.

Rosemary Gibson ([09:39](#)):

Absolutely.

Bill Walton ([09:40](#)):

What is Big Pharma? I mean, how many companies are we talking about in the United States? There's Johnson & Johnson. There's Merck. Who are the culprits here, if we want to call them that?

Rosemary Gibson ([09:52](#)):

Well, there's big companies that are selling vaccines now. I think your viewers will know who they are, but it's a \$500 billion business in the United States, drugs. I think what I didn't know and most people don't know is that there's Big Pharma, but they only account for 10% of the drugs that we take. Most of the medicines we take are generics, and they've become commodities, and they're bought and sold like t-shirts. The names of the makers of those companies are names you and I would not recognize, and they don't want us to know the names of those companies because we wouldn't be able to pronounce their names. They will certainly never be called to testify before Congress because that would show where our medicines are coming from.

Rosemary Gibson ([10:48](#)):

So right now 25% of our generic drugs are made in India, but one of the jaw dropper discoveries in China Rx is that India depends on China for about 70% of the core ingredients for its generic industry. It cannot survive without China.

Bill Walton ([11:14](#)):

What are some examples of those core ingredients that China controls? Do they have unpronounceable names, or are there things that we would recognize?

Rosemary Gibson ([11:21](#)):

Well, the biggest and real concerning thing is antibiotics. So here in the US, we used to have these industrial size fermentation plants. I interviewed someone who grew up in Connecticut and lived nearby one of these. She could smell it in the morning when she would wake up. It was right along Long Island Sound. She became a pharmacist, actually, in her career, so I said, "Maybe there was something there in that air you were breathing that led you to a great career in pharmacy."

Rosemary Gibson ([11:58](#)):

Remember, in World War II, right before Normandy, government and Pfizer got together and perhaps some other companies to ensure there was enough of this miracle drug called penicillin. That was so important to help injured soldiers survive from their injuries so they wouldn't succumb to infection. They had that ready right before Normandy invasion. It was a great government-industry partnership for good.

Rosemary Gibson ([12:32](#)):

But let's fast-forward to 2004 when the last plant in Syracuse, New York, to make this active ingredient and this raw material, announced it was closing. It closed exactly because China dumped it on the global market, and they kept that price low for several years. Even India lost its last penicillin plant. So you have a country with more than a billion people, and they can't make critical antibiotics along with us.

Bill Walton ([13:07](#)):

Well, yours was a pretty lonely voice when you published this book three years ago because there are a lot of people, I think myself included, that was thinking of China in the old paradigm. We had a China lobby. Hank Paulson made his career at Goldman Sachs-

Rosemary Gibson ([13:24](#)):

Absolutely.

Bill Walton ([13:24](#)):

... raising capital for Chinese companies and getting US companies into China, and Goldman Sachs is still a big deal in China.

Rosemary Gibson ([13:32](#)):

They've made a lot of money in China.

Bill Walton ([13:33](#)):

Oh, and still do. But the thinking was, liberalized world order, world trade agreements. We bring China in, make them part of the world trading economy, and they would become wealthier and more liberal and maybe move towards a liberal democracy. We would welcome them into our-

Rosemary Gibson ([13:57](#)):

They'd be more like us [crosstalk 00:13:58]

Bill Walton ([13:58](#)):

More like us. Well, guess what. They did not want to be more like us. Now, I think particularly in the last year or two, Xi is really flexing his muscles. It's becoming increasingly clear that they've been a bad actor. Now was this obvious to you early? I mean, when did people start waking up to the fact that China had an agenda that was not even remotely along the lines what we would find acceptable?

Rosemary Gibson ([14:32](#)):

There were a small number of people who quietly picked this up but wouldn't speak out on it, but you're right, this coronavirus pandemic has helped a lot more people see the reality. So we were talking about antibiotics. We can't make antibiotics here anymore in the United States. It's shocking. It's what you give to your children or grandchildren for ear infections or if you have pneumonia or bronchitis or if you have COVID. What happened during the pandemic? Remember, Bill, when China threatened to withhold antibiotics from the United States?

Bill Walton ([15:15](#)):

I do remember that. I think the Chinese government media threatened to withhold drugs to the United States and throw us into the ocean of hell of coronavirus.

Rosemary Gibson ([15:31](#)):

China controls 90% of the key ingredients to make the essential drugs that the world needed to care for people who were hospitalized with coronavirus. So a pandemic starts in China. Then you control the supply of what everybody needs. Just imagine if the United States along with industry decided, well, we're going to control the antibiotic market for the world. You drive out your ... Let's take India. You drive out India's capability by market manipulation. Then 20 years later, you threaten to withhold antibiotics from that country in the middle of a pandemic. We have to step back and say, what is this? This is form of unrestricted warfare, unconventional warfare.

Bill Walton ([16:33](#)):

It didn't just happen though. It was orchestrated.

Rosemary Gibson ([16:37](#)):

Absolutely.

Bill Walton ([16:38](#)):

The point you make is that the Chinese Communist Party has subsidized many, many, many of what it considers strategic industries, pharmaceuticals being one of the key ones. Even in things like vitamin C, they wanted to get control of that market. What they did was they subsidized their manufacturers. I don't know the name of vitamin C. It's a long one that I'm sure you can pronounce.

Rosemary Gibson ([17:04](#)):

Oh, ascorbic acid.

Bill Walton ([17:05](#)):

There we go, ascorbic acid. I can do that one.

Rosemary Gibson ([17:06](#)):

Yeah, that one, yeah.

Bill Walton ([17:07](#)):

I've got ascorbic acid.

Rosemary Gibson ([17:08](#)):

It's on the labels of cereal boxes and other things.

Bill Walton ([17:11](#)):

I can get that one. So the way this works, when you talk about people engaging these unfair practices, is they'll start selling at a cost lower than anybody else can produce. They'll grab the market through low cost, subsidized by the Chinese Communist Party. Then once they've driven everybody else out of business, then they can raise the prices.

Rosemary Gibson ([17:39](#)):

They have, effectively, a monopoly price.

Bill Walton ([17:43](#)):

How many drugs do you think they have that position in? You've mentioned aspirin. You've mentioned penicillin. You've mentioned a lot of the generics. What are some of the other key drugs that they've got that monopoly?

Rosemary Gibson ([17:57](#)):

China controls the chemical materials to make thousands of our generic drugs and even brand-name drugs. They're moving up the value chain. Now they're making about 10% of the pills that we take, so they're making medicines for diabetes, Alzheimer's, blood pressure medicine, antidepressants, HIV/AIDS.

Bill Walton ([18:30](#)):

They make one of my blood pressure medicines.

Rosemary Gibson ([18:33](#)):

Was yours recalled because of carcinogens? Do you remember that in 2018? Did you get a recall notice?

Bill Walton ([18:40](#)):

No, I didn't. It must have been a different one.

Rosemary Gibson ([18:42](#)):

Well, there are millions-

Bill Walton ([18:43](#)):

Or maybe I just missed it.

Rosemary Gibson ([18:43](#)):

... of Americans still ... You're lucky. This is what happens.

Bill Walton ([18:48](#)):

Rosemary, you're really scaring me to death here.

Rosemary Gibson ([18:54](#)):

So I spent three years at my home office writing this.

Bill Walton ([18:57](#)):

You're such a pleasant looking person.

Rosemary Gibson ([19:00](#)):

But I'm optimistic. This is fixable. So we'll get to [crosstalk 00:19:03]

Bill Walton ([19:04](#)):

We're going to get to the fixes. We're going to scare ourselves to death first, and then-

Rosemary Gibson ([19:05](#)):

But you know what, that's what you need for people to wake up.

Bill Walton ([19:09](#)):

Well, the thing that strikes ... There's so many stories here. One story is Smithfield ham. Now I live in Virginia, and the Chinese, a few decades ago, 12 years ago, whatever, they bought Smithfield ham. I thought, why on Earth would the Chinese want to buy a company that makes ham?

Rosemary Gibson ([19:28](#)):

And the farms. They bought the farms too.

Bill Walton ([19:32](#)):

And the farms that raises the pigs. Why would they want to do that? Well, it turns out ... I'll let you tell the story. What is it about pigs that would be attractive to the Chinese?

Rosemary Gibson ([19:43](#)):

Well, they like pork, number one, and they have swine-

Bill Walton ([19:47](#)):

But that's not the sinister reason.

Rosemary Gibson ([19:48](#)):

Well, they have swine flu outbreaks, and the shortage of pork. I read a report. I did not have a chance to independently confirm it. But on Twitter they were saying that China's actually flying pigs, so pigs do fly. They're flying them over to China from the US. Think about that. It's very conceivable, and whether it's live or not, but they're flying pigs over. But from a medicine point of view, they control a core ... From pigs you get the material to make a very important drug used in every hospital in the United States. If you don't have that core ingredient hospitals here would shut down.

Bill Walton ([20:30](#)):

Well, I think you wrote that they make ... From pig intestines, there the raw earth equivalent in medical care. I mean, there's all these raw earth minerals that we use in all of the other strategic industries. The intestines are the rare earth component for heparin.

Rosemary Gibson ([20:50](#)):

I tried to ... This was in my testimony. I really appreciate you reminding me of that. I was trying to make the analogy because people have heard about rare earths and how China has a dominant global share of the production of that and processing. It's the same thing with our drugs. They control those raw materials and chemicals. When it comes to pigs, you take it out of the intestines, the mucous membranes from the intestines that are processed into making a blood thinner that's used in operating rooms and hospitals all over the country and the world.

Rosemary Gibson ([21:32](#)):

Fifteen years ago, a couple of years after it was outsourced to China from a plant in the Midwest, hundreds of Americans died from contaminated heparin. China Rx starts with ... This is real stuff here. China Rx starts out with a story of a Johns Hopkins trained physician. He walks into the Mayo Clinic in Scottsdale, Arizona. He's a healthy, 40-something-year-old gentleman. He knew he had a stomach ulcer. Long story short, he ends up getting multiple doses of heparin, and he immediately goes into cardiac failure and is in multiple organ failure, his kidneys, just within hours.

Bill Walton ([22:21](#)):

Well, he's a doctor.

Rosemary Gibson ([22:22](#)):

He's a physician.

Bill Walton ([22:23](#)):

You quote him as saying ... You said that somebody was in his room. You said, "My God, I got a lot of heparin."

Rosemary Gibson ([22:30](#)):

So think about [crosstalk 00:22:31]

Bill Walton ([22:30](#)):

Then he thought, "Was it contaminated?" And it was.

Rosemary Gibson ([22:36](#)):

Think about this. You're a physician, and you're in a hospital bed. You're in multiple organ failure. You've had to have your heart taken out and put on an artificial heart machine. The next month, you're watching the news, and you hear about contaminated heparin found in St. Louis at a children's hospital. He looks to his wife, and he said, "Oh, my God, I got a lot of heparin. Was it contaminated?" This story, it's a miracle to find a story of what happens to people when there's a bad drug. Unfortunately, his wife is a physician, and she shared this story in great detail.

Bill Walton ([23:19](#)):

Well, one of the big themes of the book is that China does this not by accident. This is not the result of entrepreneurial Chinese getting together to figure out how to take control of a market, then end up mistakenly making contaminated drugs. It seems, as I talk with you about China and other people about other industries ... And we'll just stick with pharmaceuticals. It seems like 20, 30 years ago, they started thinking, "What are the key things that we need to make here that are strategic that will give us the whip hand over every other country in the world?" I mean, I've come to believe that. Do you now think that there was a strategy sitting behind this back in the '80s and '90s?

Rosemary Gibson ([24:05](#)):

Well, I think China was very wise and strategic in wanting to build up, in this case, a pharmaceutical industry with their population of more than a billion people. You should have that. This is just one of many other industries where they developed a plan and are executing it beautifully from their perspective to disrupt, dominate and displace Western companies from those industries. This is one of them because they have to employ ... They have how many people they have to employ to give them some work to do to help people thrive, grow, move out of poverty. They're doing what's good for China.

Bill Walton ([24:50](#)):

Well, there are two versions of the Chinese leadership. One is that they absolutely have control and have this all planned out, and the other one is they're terrified of their people and they've got to keep coming up with new things to keep them happy. I mean, they now have a consumer market, a middle class market of almost a half a billion people.

Rosemary Gibson ([25:11](#)):

Here's where ... Here in the US, we own a large share of this problem. It's not just the Chinese who are manipulating the market, forming cartels, engaging in illegal trade practices. It's also on us and other Western companies.

Bill Walton ([25:28](#)):

How so?

Rosemary Gibson ([25:29](#)):

So over the holidays, I found an old IBM ThinkPad in my closet. It was really old, but I turned it on. It still worked.

Bill Walton ([25:39](#)):

I loved my ThinkPad.

Rosemary Gibson ([25:41](#)):

But, of course, the software doesn't run on it, so it's no good. But the thing still worked. It was a machine. So I have a new ThinkPad, but it's made by a Chinese company. So what happened in the course of those 12, 14 years? So I asked someone from IBM, a very senior person who's traveled to China and around the world. He said, "Well, what we did was we gave away, basically, the specs to make our laptops in return for having access to China's market for our higher-value products and services."

Rosemary Gibson ([26:23](#)):

The same approach was used by pharmaceutical companies. A major firm, a name everyone would know, gave away the specs for their generic drugs, antibiotics and others in return for access to that market. They gave it away.

Bill Walton ([26:46](#)):

Well, that's a trade that most ... I'm just noticing the time here. You're watching The Bill Walton Show, and I'm here with ... Rosemary Gibson has written a terrific, I'd say, exposé of the pharmaceuticals industry in China and its impact on the United States. We're talking now about their strategies to gain control of these product markets. That strategy though is one that the Chinese have engaged in not just with pharmaceuticals, but you mentioned the ThinkPad. A lot of companies made the trade when they wanted to go into China. The Chinese said, "Give us your technology. Give us your intellectual property. In return you get to sell into our country." I think there are awful lot of CEOs of big, multinational companies that made that deal, made that trade. I think we're coming to regret that kind of trade because it's now got us pulled into a situation where a lot of our innovation has been either forcibly transferred to China or stolen.

Rosemary Gibson ([27:52](#)):

Now it's escalating whereby China has a social credit system for businesses, not just individuals. It was interesting.

Bill Walton ([28:05](#)):

Social credit for businesses.

Rosemary Gibson ([28:08](#)):

It was really interesting.

Bill Walton ([28:09](#)):

I have to laugh because otherwise it's just too bleak.

Rosemary Gibson ([28:13](#)):

There was a Western pharmaceutical CEO, branded company, who is quoted in here. I didn't interview him, but I used a quote from the Financial Times, I think it was. They bent over backwards to say, "Well, we will be a Chinese company." If you want to sell in China, you have to do what China wants you to do. They've got them over a barrel, and they can keep extracting concessions in terms of what they do.

Bill Walton ([28:50](#)):

It sounds like what Jeff Immelt said when Obama became president. We're all Democrats now.

Rosemary Gibson ([28:55](#)):

There you go.

Bill Walton ([28:56](#)):

I wouldn't be surprised if he went to China and said the same thing to the Chinese, "We're all Chinese now."

Rosemary Gibson ([29:01](#)):

Well, that's it. We're basically a Chinese company. What they've given away, billions and billions, as you said, of dollars in our intellectual property, research facilities.

Bill Walton ([29:15](#)):

Well, we talked about the contaminated medicine. It's not necessarily sinister. The problem is that the Chinese manufacturing facilities are generally fairly low quality. The health and safety standards really aren't there. They're not really giving us access to the FDA, for example, to go in and inspect a manufacturing facility in China the way it would be inspected here.

Rosemary Gibson ([29:47](#)):

That's right. I started out talking with you about how our medicines have become like t-shirts in terms of commodities. Just buy and sell, and if it's a penny cheaper ... The big buyers, which are three major US companies, they just look for cheap. They have algorithms to locate the cheapest price. But for these commodity products, quality is a matter of life and death, and that seems to have been lost on a whole lot of people. You're absolutely right, Bill, that the quality concerns about what's coming out of China and other countries is very concerning.

Rosemary Gibson ([30:28](#)):

Another shocker in writing China Rx, this outsourcing began in the 2000s. The FDA was not in that country inspecting things. It didn't even know who was making our drugs. So we allow this to happen. That's what happened with heparin. There was no inspection regime. People died. So globalization has been just another form of de facto deregulation. You can argue, well, maybe we are over regulating in some sectors, but this is not a sector that-

Bill Walton ([31:07](#)):

Not here. Not here. I'm a deregulator, but maybe not here.

Rosemary Gibson ([31:13](#)):

What the FDA does is ... This was the gold standard that the US created. You go in, and you inspect the manufacturing facility. So let's take right here in the US. If you're making a complex drug, a sterile injectable that goes right into your bloodstream, it better be right, and it better be sterile. The FDA will spend up to three weeks in that plant, checking. In China it might be three days, if China will let you in. Plus, you have to give advanced notice because the FDA's going into a foreign country. You have to get visas. For a while China was denying FDA visas.

Bill Walton ([31:54](#)):

But you also make a point in your book that, if you're an FDA inspector from the US, you're sent to China to inspect a plant. If you write a negative report, you're never going to get back into the country, so your career is done in China. So they've got a tremendous incentive to gloss over anything they see.

Rosemary Gibson ([32:13](#)):

There's an incentive for FDA inspectors, if they do their job correctly, which I think they're very dedicated at doing that. But think of what you're doing. You could stop the export of millions of dollars of product coming from that company to the United States. Do you want to be the one person?

Bill Walton ([32:36](#)):

Well, yeah, that's the-

Rosemary Gibson ([32:38](#)):

Then you're right. Why would China want you back? It's interesting. You hear the FDA say publicly that they have trouble hiring people, finding people who want to go to some of these countries because FDA employees ... Many of them are unionized, and they have to volunteer for those positions. Now look at the State Department. You saw that some of the diplomats going to China, they had COVID testing with anal swabs. They did this to the Japanese. What federal government employee is going to want to ever go to China to do this important work on behalf of the American people?

Rosemary Gibson ([33:18](#)):

This China Rx book predicted a couple of things that have come true, Bill. It predicted that, in the event of a pandemic, the US would be waiting in line with other countries to get vital medicines. That is exactly what happened during coronavirus.

Bill Walton ([33:32](#)):

Examples?

Rosemary Gibson ([33:34](#)):

Some of the sedative products we couldn't get, some antibiotics we couldn't get. You had 100 countries competing for the same medicines coming from a centralized source. We would never centralize all the energy supplies for the world in a single country or 80, 90 percent. We would never centralize 80 to 90 percent of the wheat or corn or other critical commodities for the world in a single country. It's just dumb. We wouldn't do it, but we've done it for these products because there's been no public interest perspective brought to bear on this subject.

Bill Walton ([34:16](#)):

Well, the supply chain for this, for pharmaceuticals, drugs, generics, whatever, is incredibly complex though. I mean, we've got 130, 40 countries making ingredients, assembling things like that. Is there anybody in any agency or any entity that has taken the trouble to understand that supply chain and where those dependencies lie?

Rosemary Gibson ([34:40](#)):

This was a recommendation in China Rx, and I'm very happy to say that both industry as well as the federal government are now being asked, "So tell us your supply chain. Where does this come from?" [crosstalk 00:34:56]

Bill Walton ([34:56](#)):

They're being asked by the FDA? Or they're-

Rosemary Gibson ([34:58](#)):

No, Congress has asked the FDA to do it. I honestly think-

Bill Walton ([35:03](#)):

This has happened in just the last year and since the publication of your book.

Rosemary Gibson ([35:06](#)):

Absolutely. Industry now is looking ... which is surprising to me that even in industry. They have to make product. They knew that they had suppliers, but they never asked their suppliers where their supplies came from and beyond and beyond. They didn't know. But now they're asking. A lot of people say, "Well, what does industry think of this China Rx?"

Bill Walton ([35:30](#)):

That was going to be my next question.

Rosemary Gibson ([35:32](#)):

Well, they're reading it. Someone said, "Everybody's read it. People in the FDA have read it." I've been invited by industry leaders to speak to them about these risks. I went to one meeting, and I'll just say that they all had a sign, a noncompete thing because you can't have antitrust. You have to follow the antitrust laws, so they all signed their disclosures. We're not going to share what we're not supposed to share. Then I proceeded to tell the story of the vitamin C cartel where China formed cartels and all that. I said, "This is what you're up against. You guys are dutifully following the law, but China doesn't care about US law, and we let them get away with it."

Rosemary Gibson ([36:24](#)):

So the industry has ... I've been hearing that companies are using China Rx. They're bringing it to their board to have a discussion on it. One of the positive things happening, also because of what's happening in the South China Sea now, for risk mitigation, they are rethinking their supply chains. They have thanked me for that. I was on a call two weeks ago with a CEO of a company, and he said, "Thank you for this."

Bill Walton ([36:52](#)):

You brought up something I just want to make sure people heard, which is the Chinese don't care about our law.

Rosemary Gibson ([36:59](#)):

They don't care about the quality of what they send to us either. They care about what they sell to the Chinese people, but they don't care what they send to the United States.

Bill Walton ([37:06](#)):

Is that right?

Rosemary Gibson ([37:06](#)):

They don't care.

Bill Walton ([37:07](#)):

Do they have a different inspection standard for what they sell domestically versus what they export?

Rosemary Gibson ([37:12](#)):

Right, they don't care what they export.

Bill Walton ([37:15](#)):

Because they did that with the virus. I mean, in Wuhan they had all these airplanes that were locked down. You couldn't fly anywhere in China. Yet if you wanted to go to Switzerland, you could just take that virus with you.

Rosemary Gibson ([37:28](#)):

Remember the testing kits that were sent from China that were giving false readings and the masks that didn't work and the gowns that were contaminated with bacteria sent to US hospitals to be used in operating rooms. They don't care. So I'm delighted to say, on a positive note, that because of the pandemic, people are waking up and looking at and talking about, "We need more resilient supply chains," but we need to act and not just talk.

Bill Walton ([38:07](#)):

So we've made a lot of progress in the last year since we last talked. I don't want to hear the answer. Are they involved in vaccine production?

Rosemary Gibson ([38:18](#)):

I tweeted about this not long ago, and I have not done independent analysis on this, but according to one news report, there is a Chinese company that's making some of the starting material used in at least one vaccine.

Bill Walton ([38:33](#)):

Well, that's a point that I didn't quite appreciate. It's not like you take a drug and it's the drug. It's made up of dozens and dozens of different subcomponents.

Rosemary Gibson ([38:45](#)):

It's like buying salsa in the supermarket.

Bill Walton ([38:47](#)):

Like buying-

Rosemary Gibson ([38:48](#)):

Salsa.

Bill Walton ([38:48](#)):

Salsa.

Rosemary Gibson ([38:49](#)):

It has lots of ingredients in it, and some of those ingredients, say the hot peppers, might be sourced from one country, and the tomatoes from another. We actually get a lot of tomatoes from China.

Bill Walton ([39:04](#)):

You're making me rethink my pasta.

Rosemary Gibson ([39:08](#)):

So what's the answer? The answer is, what do we buy? Let's use our purchasing power differently.

Bill Walton ([39:15](#)):

What about labeling laws? What about drug manufacturers, more robust country of origin laws? What about something that would allow us to see what we're buying?

Rosemary Gibson ([39:26](#)):

They'll kill it in a heartbeat.

Bill Walton ([39:28](#)):

They being the generic drug manufacturers.

Rosemary Gibson ([39:31](#)):

[crosstalk 00:39:31]

Bill Walton ([39:31](#)):

Do they have a trade association which is-

Rosemary Gibson ([39:33](#)):

Yes.

Bill Walton ([39:33](#)):

... showering Capitol Hill with money?

Rosemary Gibson ([39:36](#)):

There is a generic trade association, and then there's the Big Pharma trade association. They don't want people to ... either of them want people to know where it's coming from.

Bill Walton ([39:45](#)):

But Big Pharma makes the brand drug, and then it comes off patent, and then it's manufactured by the generic manufacturers. How are their interests aligned? I thought they were maybe separate.

Rosemary Gibson ([40:01](#)):

Even some of the Big Pharma innovator products contain components made in China. Remdesivir is being talked about as a treatment for coronavirus, and I was told by a very authoritative source that some of the components, they are sourced in China.

Bill Walton ([40:17](#)):

So just because it's on patent and it's branded doesn't necessarily mean that that's free from this risk that we face with the generics.

Rosemary Gibson ([40:26](#)):

It's consistent in that there could be some components, just like generics from China. I think it's also fair to say that the branded companies have much greater incentive to ensure that their product is a quality product because they put their name on the box.

Bill Walton ([40:42](#)):

Sure. Well, Big Pharma has got a much bigger reputation risk. On the other hand, they're out there with all sorts of reputational issues anyway.

Rosemary Gibson ([40:56](#)):

Indeed. But you know on the labeling thing, what I'm trying to do now is to ... There's a number of domestic manufacturers here that see opportunity, in a good sense, to make quality generics here at home. What I'd like to see is, let's just use the marketplace and have these companies that are willing to put the country of origin on the box. Do it.

Bill Walton ([41:23](#)):

This is where you say something that I think is quite smart. You talk about the number of companies and governments that have been charged to buy things based on price, price, price, price, the lowest cost. Your point is you think they ought to be charged with buying things based on value, which is not just price, but it's where it's sourced. It's the quality. I mean, what are the aspects of value that you think we ought to be including in our marching orders to buy stuff?

Rosemary Gibson ([41:52](#)):

You're right. We have to buy it based on where it's sourced, the quality and reputation of the company making it, and their transparency. Let me share a very positive story here, Bill. There's about 1,400 hospitals led by the Mayo Clinic and other large health systems that got together. This is before the pandemic. They said, "We don't like all these drug shortages." It turns out, because we are centralizing the market and China has undercut everybody, you have fewer and fewer manufacturers. So what happens, you're going to have shortages. So we've had hundreds of drugs, lifesaving drugs in shortage.

Rosemary Gibson ([42:38](#)):

So these hospitals got together, and they formed a non-profit called Civic Rx. They are putting their money to create a new supply chain with trustworthy manufacturers, full transparency on where it's

made. Their CEO testified before Congress and said, "Here's where our finished drugs are made, and here's where the key ingredients are made."

Bill Walton ([43:05](#)):

So that's a big entrepreneurial opportunity.

Rosemary Gibson ([43:08](#)):

It is. This was before COVID they started. Within the first year, 20 different drugs were delivered to these hospitals. The next year, another 20. This was through contract manufacturing with trustworthy manufacturers, inspected by the people of this group. They have redounding capabilities, so there won't be shortages. Within five years, they expect to make 100 different drugs. They just broke ground on a drug manufacturing facility in Virginia. Kaiser Permanente just joined them with their 10-plus million members. So people are using their procurement dollars differently to ensure quality medicines for their patients and an uninterrupted supply. These hospitals did not have shortages of these drugs during the pandemic as others did. They also paid less. Because what happens when you have a shortage? Price goes up.

Bill Walton ([44:11](#)):

Oh, sure. Well, what are the price differentials? Let's take something simple like ... You pick the drug. Let's pick a drug that's manufactured in India and China, and let's make it here. How much more would you need to pay to buy something made in the United States as opposed to there? I'm oversimplifying. I understand.

Rosemary Gibson ([44:38](#)):

No, this is the right question. We're at a point now where we can say that there would be a likely marginal increase in the cost paid to the manufacturer. But how much would it be? It depends on whether that product is in shortage or not because, when it's in shortage, the price goes up dramatically or you can't even get it. So there'd be, I think, at least a 10% plus premium.

Bill Walton ([45:02](#)):

Well, that's nothing. I mean, I would ... Based on being scared to death by Rosemary Gibson-

Rosemary Gibson ([45:07](#)):

Exactly right.

Bill Walton ([45:07](#)):

... in the last 45 minutes, I'd pay double.

Rosemary Gibson ([45:10](#)):

[crosstalk 00:45:10] yeah, exactly.

Bill Walton ([45:12](#)):

I mean, a lot of people would. If you knew where it was made and you knew it was inspected by the FDA and you knew it was okay, you'd pay more.

Rosemary Gibson ([45:21](#)):

Of course you would, especially if you knew that it was coming from a country that you don't trust. Let me tell you a quick story. There's other actors here, not to make it more complicated. So a gentleman who works in the industry went to get his blood pressure medicine prescription refilled, 90-day supply, generic. It was \$157.50. He said to me, "Guess how much the manufacturer would be paid for that." How much would you guess?

Bill Walton ([45:53](#)):

\$157, I don't ... Given our supply chain right now, I'd say manufacturer, what, got \$15?

Rosemary Gibson ([46:03](#)):

I said 20. A dollar.

Bill Walton ([46:06](#)):

See, there you go. It all gets ... the dreaded middleman.

Rosemary Gibson ([46:09](#)):

That's exactly right. So the other thing we have to do is bypass-

Bill Walton ([46:14](#)):

Which is distribution, the wholesalers and the hospitals.

Rosemary Gibson ([46:17](#)):

Exactly right. So we also need a different distribution channel.

Bill Walton ([46:22](#)):

So we could pay five times the cost to manufacturer if we could get it through those distributions channels.

Rosemary Gibson ([46:28](#)):

That's exactly right. So we have to find a different way, a more economic way of getting product from the manufacturer to the user. Now Amazon is doing that. Amazon has started Amazon Pharmacy, and this is interesting. But the scares me to death because [crosstalk 00:46:46]

Bill Walton ([46:45](#)):

Jeff Bezos?

Rosemary Gibson ([46:46](#)):

I can't imagine. I was talking with a Washington Post-

Bill Walton ([46:49](#)):

We need another entrepreneur besides Jeff Bezos.

Rosemary Gibson ([46:52](#)):

I was talking with a Washington Post reporter who was skeptical about this whole issue. I don't know why. But I said, well, someday you'll thank me because, at some point, you'll be required, as part of your health plan, to use Amazon Pharmacy. The way the FDA is going in its inability to protect the public, and China doesn't want them there anyway, that those products will be coming ... Someday, maybe in my lifetime, those drugs will be coming directly from China to your home in a nice package. That's what's going to happen. When that happens, you'll remember this conversation. So we have to fix this, but-

Bill Walton ([47:35](#)):

Well, let's talk about fixing it. But you also point out that nobody in the government knows where drugs are sourced and where it's manufactured. We don't have any ... I mean, you've probably done as much work as anybody to try to figure this out. I mean, how many other people are there like you? Can we get together and throw some money in and figure out what the ... First, we need to figure out what the problem is, and we still don't really know, I mean, in detail.

Rosemary Gibson ([48:02](#)):

Here's how to start because it's a big problem, and I think it's another positive step, Bill, is let's start with those basic drugs that are necessary for survival. Fortunately, the FDA, because of an executive order that came out last August, August 2020 ... In that executive order, the FDA was asked to come up with a list of what are the most essential generic drugs we need to have. They came out with this list on October 30th. That's the place to start.

Bill Walton ([48:40](#)):

How many drugs are on that list?

Rosemary Gibson ([48:42](#)):

They combine it with some medical supplies and devices, but there's maybe a couple hundred.

Bill Walton ([48:49](#)):

A manageable amount.

Rosemary Gibson ([48:50](#)):

There's a manageable amount. So let's start with that and map the supply chain for that. There is some work ongoing there by different parties that's not shared, however. You know what happened right as the pandemic was ready to hit? The government didn't know where this stuff was coming from, these essential drugs. There were good people that I put the leaders in our government in touch with from industry and academia, and they wrote out the ... Here's the supply chain. Here are the drugs we need to take care of these patients who are hospitalized. Remember the surge? Here are the drugs. Here's where the active ingredients come from, and here's where the raw materials come from. The government didn't know, no reason they should know.

Rosemary Gibson ([49:35](#)):

So we have to formalize that process, and that was another recommendation in China Rx, just like we predict energy supplies in the future. We have modeling for that, with our food supply. We need to do the same thing with our essential medicines. So they're trying in fits and starts, but we need a much

more entrepreneurial model and a more business oriented model that would really get down to the nitty gritty and prepared a model with predictive analytics.

Bill Walton ([50:03](#)):

Well, I don't think you're recommending anywhere an industrial policy for ... You're really trying to figure out market based solutions to get control of our own drug supply.

Rosemary Gibson ([50:18](#)):

Well-

Bill Walton ([50:19](#)):

[crosstalk 00:50:19] got to have government agency, and you also mentioned we could have a DARPA like funding. DARPA's funded a lot of things for the defense department. We could have something similar to seed new ideas for pharmaceuticals.

Rosemary Gibson ([50:32](#)):

Actually, DARPA has done that, Bill. They invested in advanced manufacturing of essential drugs. There's great people that are able to make an antibiotic in a box. They can make 1,000 pills in 24 hours in a box the size of a refrigerator. So how do we take that ... And that was one of the recommendations I gave to Congress. Let's fine a way to commercialize that technology and take it to commercial scale production. The federal government actually did fund that last May with a group in Virginia, to make critical ingredients for essential generic drugs using advanced manufacturing technology, the result being end to end production of essential drugs fully made in the United States. It's not just money to do research. They have a contract to actually produce product for the Strategic National Stockpile.

Bill Walton ([51:33](#)):

Hmm. Well, I'm thinking in my private equity mode. It seems, if you had effective labeling ... And one of your recommends is that the manufacturers need to disclose whether their products and active ingredients, chemicals, et cetera, come from countries that are adversaries or strategic competitors with the United States. So if you had to identify the countries that are the bad actors and you're not allowed to use them, then all of a sudden it levels the playing field for other people to come in because maybe they're sourcing that at a lower price there. I don't know. Is that part of the solution?

Rosemary Gibson ([52:16](#)):

There's certainly interest among some members of Congress to do that. I still it'll be hard to get a law like that passed, so I'd like to use the other approach of good actors, good companies that have a public communications campaign that says, "Here's where our drugs are made. We're proud of that. How come you aren't telling us where your product is made?"

Bill Walton ([52:41](#)):

Good.

Rosemary Gibson ([52:42](#)):

Remember when Ralph Nader was out [crosstalk 00:52:45]

Bill Walton ([52:45](#)):

Kind of a made in America.

Rosemary Gibson ([52:46](#)):

Yeah. He was out on car safety. He was challenging the auto makers about unsafe vehicles. What happened? Chrysler said, "Well, we're going to turn this around and make it a competitive advantage, and we're going to make safety and build it into our cars." Look what happened. So let's use this consumer interest in safety as a competitive advantage in the marketplace. That said, short of industrial policy, I think it makes sense for ... The Department of Defense, why are they buying drugs made in China? Why is the VA? So what if we had our taxpayer dollars go to companies making them here in this country?

Bill Walton ([53:35](#)):

Particularly since we're likely to be in a hot war over Taiwan sometime.

Rosemary Gibson ([53:42](#)):

Well, South China Sea issues affect supply.

Bill Walton ([53:46](#)):

Yeah.

Rosemary Gibson ([53:47](#)):

[crosstalk 00:53:47] one freighter that got stuck on the Suez Canal. Look what that did. Fast-forward, perhaps not too long from now, what's going to happen to the South China Sea and trade routes?

Bill Walton ([54:03](#)):

That's definitely in their next step category. They've taken Hong Kong back. I just am waking up to the fact that most of our semiconductors come from Taiwan, and a lot of the pharmaceuticals that are manufactured that are so-called outside of China are manufactured in Taiwan.

Rosemary Gibson ([54:27](#)):

So you've got supply routes at risk, prices going up already. The Wall Street Journal's reporting on inflationary pressures on prices coming out of China. You have quality concerns. So I think people waking up to it, and we just have to move quickly and bring manufacturing back home and change how we buy. I'm happy to say that there's more and more people now taking a very close look at this because this is life and death. I say to companies, "Look, you won't have anything to sell if you don't move production and diversify your manufacturing base." I think they're getting that message, but some of them are still stuck because they still have operations in China. They are stuck. So good progress to report, but we've got to keep going and move quickly.

Bill Walton ([55:18](#)):

Well, Rosemary, we'll have you back soon to talk some more because we've just touched the top of the iceberg on this one. What a service this book is, China Rx. I think it's timely, and we all need to be acting on its recommendations. It sounds like you're making a lot of progress, so congratulations so far.

Rosemary Gibson ([55:42](#)):

Oh, Bill, I'm grateful to you for giving this an airing because this affects all of us. I don't mean to frighten people.

Bill Walton ([55:49](#)):

Well, you frightened me.

Rosemary Gibson ([55:51](#)):

My aim is to enlighten, not frighten.

Bill Walton ([55:53](#)):

I'm actually not frightened, but we have come up with some lines of action. We're not just going to sit here and-

Rosemary Gibson ([55:58](#)):

Absolutely. We need good investors who want to invest for the long haul. Again, these are commodity products. You're not going to make a killing on it. We can find some good patriotic people who want to do a great service to this country. This is where we need investment, and it will pay off in so many different ways.

Bill Walton ([56:17](#)):

Well, maybe our next show ought to be with a private equity person, and we can get into how we could turn this into a money making industry.

Rosemary Gibson ([56:25](#)):

I would welcome that.

Bill Walton ([56:26](#)):

It would be interesting.

Rosemary Gibson ([56:27](#)):

Let's do it.

Bill Walton ([56:28](#)):

Yeah, let's play around with that.

Rosemary Gibson ([56:29](#)):

I look forward to it. Thank you so much.

Bill Walton ([56:30](#)):

Rosemary Gibson, thank you. This was great. Back soon.

Rosemary Gibson ([56:34](#)):

Back soon, and China Rx, we ... I want people to know, no one paid me to do this work. I did it because I care, and we donate proceeds to good causes. So I hope people will take a look at China Rx.

Bill Walton ([56:44](#)):

Great. I do too. Thanks for listening. Thanks for watching. Let's follow Rosemary's advice and pay attention to China Rx. I'll see you next time. Thanks.

Bill Walton ([56:57](#)):

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