

China eco-crimes unit gives updates on GSK sex scandal

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Singapore: The economic crime investigation unit of China's Ministry of Public Security has now released a statement regarding the crackdown on British drug major [GlaxoSmithKline \(GSK\) in the bribery, corruption and sexual favours allegations case](#).

The officials revealed that four high level Chinese Glaxo executives have been detained over allegations of 'severely violating' Chinese law. The Ministry has accused Glaxo executives of using travel agencies as vehicles to bribe government officials, hospitals and doctors in order to sell more drugs at higher prices.

"A large part of their strategy for sales and marketing has been to conspire and encourage the possibility of commercial bribery," said Mr Gao Feng, the ministry official heading the probe.

He added that Glaxo and the travel agencies exchanged \$489 million (three billion Chinese yuan) between them since 2007. The ministry, however, did not make it clear whether any of that money was used for legitimate business purposes. He reiterated that the travel agencies also offered what he called sexual bribes to senior Glaxo executives to keep the company's business.

Releasing a statement on the same day, GlaxoSmithKline said that, "We are deeply concerned and disappointed by these serious allegations of fraudulent behavior and ethical misconduct. GSK has zero tolerance for any behaviour of this nature and the alleged behavior would be a breach of the company's standards."

Mr Gao further added in the press statement that further scrutiny of foreign businesses in China is going on. "No one has asked foreign companies to be a moral model, but they have to serve as good examples," he explained.

Further, US authorities also have stepped up their scrutiny of multinational companies' activities in China. They have been checking if pharmaceutical companies have violated the Foreign Corrupt Practices Act (FCPA), by paying bribes to

government officials in various countries, including China. Under the FCPA, doctors and other employees of government-run hospitals are considered government officials. Glaxo and the other companies say they are cooperating with the US investigation.

GSK on the other hand is said to be investigating allegations from an anonymous tipster that its China-based sales staff was involved in widespread bribery of doctors to prescribe drugs, in some cases for unauthorized uses, between 2004 and 2010. A Glaxo spokesman has said in June that the company is investigating the allegations.

China's official Xinhua News Agency reported that detained executives include Liang Hong, Glaxo's China vice president and operations manager, Zhao Hongyan, a legal-affairs director for the company, Zhang Guowei, a human-resources director and Huang Hong, a business-development manager.