

Packing a punch: Smaller countries lead in biopharma competitiveness while BRICs trail

Multinational innovators identify intellectual property and localization measures as key turnstiles

Washington, D.C. – September 16, 2016 – In the race for biopharmaceutical investment economies with pro-innovation policies – many of them relatively small economies – are quickening their stride, while those employing weak policies continue to lag behind. The results of the 2016 Biopharmaceutical Competitiveness & Investment (BCI) Survey, released today, reveal that though still presenting certain policy obstacles the “Asian Tigers” – Singapore, South Korea and Taiwan – and Israel are rated as most competitive for investment compared to other “newcomer” markets. Switzerland and the US are among those leading mature markets. Meanwhile, the BRIC economies and remaining APAC place at the rear of newcomer markets, and Canada and Australia are viewed as falling behind among mature markets. Moreover, the study, from Pugatch Consilium consultancy and commissioned by PhRMA, indicates that broadly speaking, economies are moving in packs in distinctly different directions – those that continue to prioritize policies that deter biopharmaceutical innovation and investment and those that have kept on strengthening key areas for biomedical R&D.

“The 2016 BCI suggests that competition for biopharma investment is fierce and that a supportive policy ecosystem is what sets competitive markets apart from the rest of the pack,” notes Steve Ubl, President and CEO of PhRMA.

In its third edition, the BCI Survey is a global executive opinion survey and index of economies’ biomedical investment-attractiveness created by Pugatch Consilium. Incorporating the views of biopharmaceutical country managers and their teams – who often have a candid and accurate understanding of how the local policy environment factors into investment decisions – the BCI enables a unique and highly relevant snapshot of economies’ biomedical competitiveness.

Two major factors enhance the BCI Survey in 2016. First, the economies covered have nearly doubled compared to 2015 to 28 markets, capturing many of the largest and most active biopharmaceutical markets worldwide. Second, in 2016 the BCI Survey has been developed into two separate surveys, one targeting newcomer markets and the other, mature markets. Economies

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are gauged in relation to other markets with similar levels of development, allowing for an even more fine-tuned snapshot of each market's attractiveness for biopharmaceutical investment.

According to executives, newcomer markets are still divided when it comes to protecting intellectual property and localizing innovation. Though some important gaps exist around market access policies and patent enforcement, in most respects top scoring economies are viewed as having IP environments in line with international standards and supporting biopharmaceutical innovation and technology transfer through positive incentives and dedicated funding. In contrast, economies at the rear still face fundamental challenges in these areas. A steady rise in patenting criteria that discriminate against biopharmaceutical inventions is one commonly cited barrier, with India's enhanced efficacy requirements having inspired look-alike bills in other countries including Brazil, Indonesia and South Africa. Compulsory licensing also continues to loom on the horizon, threatening investment conditions in markets such as Colombia, Indonesia and Russia. Localization policies that require investment in the local biopharmaceutical sector or establish punitive incentives to invest are likewise deterring investment from biopharmaceutical innovators in a number of the BCI markets. Turkey's requirement for on-site Turkish GMP inspections for international products and Thailand's high barriers to foreign companies' participation in public sector drug procurement are just two examples.

Mature markets are not immune to policy challenges either. In the area of IP, Canada's heightened patent utility requirement and legislation allowing for release of confidential business information, and Australia's practice of requiring damages from originator companies and other methods sought to address "evergreening" are seen as introducing significant uncertainty and risks to R&D investment. Economies that seek to avoid these types of barriers and prioritize innovation across the research, regulatory, market access and IP systems are those that maintain a competitive advantage compared to other mature markets.

"Today, a pro-innovation environment is essential for maintaining an advantage among developed markets", remarked Prof. Meir Pugatch, Managing Director of Pugatch Consilium. "Special support for pioneering R&D – targeting rare diseases or personalized medicine, for instance – gives economies an additional edge in attracting investment. The Japanese government's Sakigake Strategy is one case that shows how dedicated funding and fast-track regulatory frameworks for cancer and orphan drug treatments can enhance investment attractiveness."

The study, *The Race for Biopharmaceutical Innovation: BCI Survey 2016*, is available for download:

http://www.pugatch-consilium.com/reports/BCI2016-Race_for_Biopharmaceutical_Innovation.pdf

About Pugatch Consilium

Pugatch Consilium (www.pugatch-consilium.com) is a boutique consultancy firm providing evidence-based research, analysis and intelligence on the fastest growing sectors of the knowledge economy. Its main areas of focus are innovation, asset creation, technology transfer, intellectual property and market access. Pugatch Consilium harnesses rigorous empirical analysis and translates it into concrete action.