

## Brexit creates difficulties, opportunities for UK's pharma, medical device industries

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While the exit of the UK from the European Union (EU) undoubtedly creates significant issues for the UK pharmaceutical and medical device industries in ensuring highly regulated European markets remain open to business, opportunities remain for these sectors to thrive, according to research and consulting firm GlobalData.

The company's latest whitepaper states that the vote to leave - also known as Brexit - will have significant consequences for the pharmaceutical and medical device industries in five key areas, namely: regulatory impacts, research and development, access to talent, intellectual property rights, and market access.

For manufacturers, the most immediate impact will be on the area of drug and device regulation, as a Brexit vote will be followed by a series of negotiations lasting two years.

However, as the UK government has chosen to delay invoking Article 50 until at least the autumn of 2016, and possibly beyond, in principle, this would suggest UK-EU relations would continue as normal until that point.

Mr David Shaw, GlobalData's Chief Operating Officer, commented: "Given the time scales that life sciences operate, to suddenly enter a two-year negotiation process doesn't sound like a long time, and that uncertainty makes the monetizing of investments appear more risky."

Life science, including pharmaceuticals and medical devices, is a critical element of the UK economy, accounting for over 180,000 jobs and revenue of over \$80 billion, according to UK Trade and Investment. 51% of medicinal and pharmaceutical products are exported to the EU.

There are numerous ramifications of Brexit for the healthcare sector. For example, the European Medicines Agency (EMA),

which is headquartered in the UK, is likely to be swiftly relocated to the EU.

There also may be immediate disruption of the regulation of existing medicines, let alone drugs in development.

Speaking ahead of the referendum vote, Dr Sean Hu, GlobalData's Senior Vice President & Head of Consulting, said: "If the UK exits the EU, pharma companies could even exclude the UK when assessing commercial potential of drugs due to the much higher access hurdle. Instead, they might choose to focus more on the remaining EU, and treat the UK as an isolated country."

Despite the drawbacks of a Brexit vote, GlobalData believes the pharmaceutical industry could still thrive.

However, the UK would need to follow a different path from the likes of Switzerland, Canada and Israel, and establish a uniquely British solution.

The vote revealed a deeply fractured country, with Scotland resoundingly supporting Remain, Northern Ireland narrowly supporting Remain, and the remainder of the country supporting Brexit.

As the major life sciences industry clusters in the UK are in the south east of England, south Wales and the central belt of Scotland, allowing regions of the UK to vary corporation tax could firm up and expand these regions of excellence.

At a national level, freed from the EU, a UK government may be able to employ state aid, to greater strategic effect, both as a means to draw in investment, and as a way to shore up the viability of the United Kingdom as a unitary state.

However, besides providing a low tax environment, with flexible labor laws, GlobalData believes it is critical that the UK maintains the excellence of its science research and development base, through direct UK government funding, or through participation in external funding programs such as Horizon 2020.