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GSKâ??s VP and Area GM Pharmaceuticals, Turkey and Caucasus, and chairman of Turkeyâ??s innovative pharmaceutical association, discusses the effectiveness of the governmentâ??s current strategy for reducing the trade deficit in the pharmaceutical industry, and the need for the industry and government to approach all discussions with a partnership mentality.

Do you see a contradiction between the current price level and the governmentâ??s objective to attract investment?

The mentality behind the pricing discounts and cost containment measures is that imports must be reduced, when the real problem is that Turkey exports too little in terms of both goods and services. Relative to Turkeyâ??s share of the global pharmaceutical market, our level of investment in R&D is USD one billion lower than it would be if our R&D share matched our share of expenditures. Pharmaceutical exports are just a fraction of imports, well under 20 percent.

Unfortunately, the extremely low pharmaceutical pricing in Turkey is the number one issue that is limiting investment in the Turkish pharma industry, limiting exports both directly and indirectly. For products exported from Turkey, the price in Turkey will be used as a reference price in the destination country, making using Turkey as an export hub very unattractive, and decreasing the value of existing exports.

There are two court cases regarding the pharmaceutical prices against the government at present, one of them on behalf of the industry, and the response so far, raising the exchange rate used to calculate the reference prices from 1.9595 to 2.0 TRY per EUR was relatively insignificant. Moreover, a sustainable pricing model must be introduced, which will start by adjusting the exchange rate to reflect the market rate, before we can have any meaningful discussions about increasing investment in Turkey substantially. The government certainly understands this, but progress takes time; that said, we are hopeful that we will see some meaningful steps in the near future.

Weâ??ve heard a lot of discussion regarding the potential introduction of alternative payment models by the SGK; what are your thoughts regarding these discussions?

As AIFD, we had a meeting with SGK about what the ideal model would look like in term of alternative reimbursements. I am the Chairman of the association, while Dr. Å?ebnem Tuna from Novo Nordisk and Dr. Mete HÃ¼semoÄ?lu at AbbVie, who are both Vice-Chairâ??s, are leading the strategic management committee on pricing and reimbursement; they were responsible for organizing this meeting.

As far as our stance on what we need in terms of pricing and reimbursement in Turkey, there are some very simple criteria that we feel must be met, however, the most important thing is to approach all discussions with a partnership mindset. We can talk about confidentiality, pricing products using the actual exchange rate, or many other issues, but the most important thing is for both parties to approach these discussions as partners who are seeking to provide patients with medical care. It shouldnâ??t only be a pricing exercise, but a discussion of patient needs, and the value of different therapies to patients and Turkish society.

This is something that we donâ??t have any experience of in Turkey, and it will take time for the different stakeholders to learn from the examples that exist in other countries. Alternative access arrangements have been made, although the details of such arrangements have not been made public, but it is clear that there is a good intention on the side of the government. However, we need to ensure that these arrangements donâ??t turn into pricing exercise, and that they are developed around the concept of a medications value. If every new product is seen as a cost item, then fair prices will not be reached, because there is a balance to the cost, being the value a product brings to patients in Turkey and Turkish society.

Once a sustainable pricing model is achieved, how effective will the governmentâ??s approach towards incentivizing investment be?

Letâ??s look at the facts. First of all, pharmaceutical products are the fifth largest cause of Turkeyâ??s foreign trade deficit, and managing the deficit is one of the major challenges in the Turkish economy. From the governmentâ??s point of view, they made a very successful transformation project in healthcare, which of course caused pharmaceutical imports to increase, increasing the deficit. As a result, they have implemented two policies; containment of pharmaceutical expenditures, and incentivizing investments to increase local production to substitute imported products.

The second fact that must be recognized is that this is a very competitive area. If you look at countries like Singapore, Ireland, China, and what they have done to attract the investments, there are a lot of examples for the industry and government to study. As local GMs, we would all love to bring investments to Turkey, and we are all competing with GMs in other countries for investment. The best way for us to make this happen would be for us to sit together with the government, and find ways to make Turkey more competitive versus other countries, such as Ireland or Singapore.

Now, while I fully understand and appreciate the governmentâ??s intentions and goals, the methodology behind their approach may benefit from some fine-tuning. At present, the government is seeking to attract investment using a vendor style mechanism; if you do this, we will give you that. Incentives should not be coercive, they should reward actions, not provide an escape from penalties.

Secondly, the targets the government has set should be reconsidered; instead of seeking to localize production of generic products, they should target innovative products. Today, Turkey is still importing sugar, solvent, active ingredients, and localizing the production of products that are not high-tech and high-value will not bring value to the country. On the other hand, bringing manufacturing for global top 20 products, potentially only a single blockbuster product, it would bring more value to Turkey than localizing production of hundreds of generic products. It is for this reason that I feel the target area should be seriously evaluated.

To summarize, I fully understand and support the governmentâ??s overall goal of reducing the trade deficit in pharmaceuticals, but it can be achieved more readily adjusting prices to reflect the value of pharmaceutical products, rewarding companies that invest in Turkey, working to improve Turkeyâ??s competitiveness relative to other countries that are seeking to attract investments from the pharmaceutical industry, and making bigger bets.

Previous comments withstanding, most multinationals including GSK continue to make investments in Turkey. What differentiates GSK from other companies in terms of your long-term commitment to Turkey?

GSK has been present in Turkey for more than 50 years, and today we are ranked sixth in Turkey. Fairly uniquely amongst â??big pharmaâ??, GSKâ??s hub for the MENA-CIS region has been in Istanbul since 2012 for the pharmaceutical division, and by the Q1 2016 will also have our consumer health division hub here. We will also be bringing a distribution hub to Turkey within the next year as well. The regional business employs 30 people of various nationalities, out of the 800 employees we have in Turkey overall.

Our other notable investments include our Vaccine Clinical Research Center (AKAM) in Ankara that was established in 2010, which is the only vaccine R&D center in Turkey, and of course our large scale local manufacturing operations through a local partner. Over the next two and a half years, we will be increasing our local production substantially, by more than TRY 100 million. This will include some vaccine products; so far we have invested more than USD 21.5 million in conjunction with a CMO partner that will be producing five different antigens, and we are targeting local production of 33 million doses per year. Two of these products will be produced starting at the formulation stage.

How will your portfolio be evolving over the coming years?

At present, we are far ahead the market leader in respiratory medicine, antibiotics, and of course vaccines. Over the next four years, we will be introducing four new products in respiratory area, and nine products in total by 2019. Looking at just the first half of 2016, we will be launching Anoro and Relvar in the respiratory field, and Benlysta for lupus.

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