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Perspectives

Pharma, the next Brexit drama?



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Since the Brexit referendum, it seems that not a single week can pass without markets shifting wildly based on any tiny clues Theresa May, the UK's new Prime Minister, gives away on how the pending Brexit looks to her and the likely impact this will have on industry.

With the volatility of the pound resembling an emerging currency, and the tone on immigration approaching extreme, you would be forgiven for thinking that by now London was a deserted, barren place with just a few lone local businesses scrambling for the last few pounds.

In reality, the future is still bright both for the UK pharmaceutical and language service market despite the mid-term uncertainties. The UK is home to four of the top ten global universities even though the UK represents just 0.16% of global land mass. 20% of the world's biggest selling drugs were developed in the UK. The UK is home to the fifth and sixth largest pharmaceutical companies in the world — all underpinned by a strong economy, legal structure and international language.

With knowledge, skills, infrastructure and legal system all concentrated in such a small area, and now at a discount, it is no wonder that investment plans in the pharmaceutical industry have not drastically shifted. The short-term investment outlook has become more attractive with the low-cost pound and hopefully as soon as the details of Brexit have been agreed, the long term will be clarified. The reality is that any



UK-based pharmaceutical company has seen their share price rise considerably in pounds recently. GlaxoSmithKline's share price is up 20% since the vote, and announced in July a £275 million investment, citing that the country "remains" attractive despite the Brexit vote. The company did note that this was based on the skilled workforce,

something that will remain in place along with the education institutions. It is arguable that Brexit will allow a greater inflow of non-EU migrants and an increase in the level of global highly skilled migrants may be possible. Focusing resource recruitment on America, the Commonwealth or the rest of the world will become easier with a decrease in immigration pressure on them.

There are a few potential regulatory issues on the horizon, the EMA (European Medicines Agency, based in London) currently handles regulatory issues for the industry and the UK may stand to lose its reputation as the regulatory center once out of the EU. The advantage of this may be that it will have more power over budget control and how research funding is spent.

The EU has some heavy pharmaceutical and medicine regulation, including the cumbersome clinical trials directive, conducting a clinical trial has since become prohibitively expensive allowing access only to large pharmaceutical companies and squeezing out academic research or small and medium-sized business. At its most extreme, according to *The Pharmaceutical Journal* the decision to overregulate the biotechnology sector has led one firm to relocate to the United States.

Despite aspects to be quietly positive about, the Association of the British Pharmaceutical Industry did voice its concerns following the vote, citing “immediate challenges for future investment, research and jobs.” Following the vote they also cite that the UK “runs the risk of losing its attractiveness first-tier launch to market” as well as suffering the relocation of the aforementioned EMA and the pharmacovigilance

operations for many pharma companies currently in the UK.

It is not just industry voicing concerns. A report on June 11 (before the referendum) by the House of Commons Science and Technology Committee said that the current collaborative manner in which research and intellectual property are managed help foster “EU wide collaborations, with medicines and medical technologies able to be sold across Europe” would be at great risk following exit from the EU. Furthermore, they cited concern that half of the UK’s approximately £21 billion of pharmaceutical exports go to the EU. The government recommend contingency plans to cover any detrimental effects of leaving the EU, plans we are yet to hear the details of. A note of caution, however: this report was launched before the referendum by a government campaigning for the remain camp; the political neutrality of the report could therefore be brought into question.

One further recurring worry on Brexit is the EU funding into the UK higher education and science programs. The UK is a net recipient of EU research funding. However, the Horizon 2020 program also applies to non-EU countries, so one would hope this would be maintained upon exit.

Moving forward the government’s options include looking for Mutual Recognitions Agreements with the EU to allow conformity of certificates. This is essentially the model for Switzerland and effectively enacts EU law into Swiss law. The Swiss have noted that as regulatory dynamism increases, so has the difficulty in keeping both systems in pace.

The solution for the UK appears to be following a unique path influenced by the successes of other

European Economic Area member states with thriving pharmaceutical industries. This may come at some cost to the independence of the National Institute for Health and Care Excellence. The exact nature of this plan remains to be seen.

The underlying issue is that talk of investment, corporate strategy, growth and even jobs in recent times has applied only to London and the South East of England. Herein lies the government’s policy problems and the reason why so many voted on emotion over economics — they felt detached.

How do you convince the economically disconnected that your plan to develop the economy is the plan to vote for? This involves increasing immigration, and international players basing their headquarters and operations in the UK, with the greater goal of raising tax revenues and employment for UK citizens. It is the last two points that are open to debate. What kinds of jobs have been created, and how much tax is being paid? Leavers voted against the status quo, a change to business as usual.

Brexit is a phenotype of the wider developed world problem of how to balance increased globalization, immigration and inequality with political stability. These are the same forces that promoted Donald Trump; the British are just the first to formally take this on within a defined political framework. By playing lip service to the demands of the economically disconnected on immigration and leaving the EU, May’s hope is that she will gain political momentum while maintaining the status quo on the economy and tax revenues. The question whether this can be achieved remains to be seen.

The future is still unclear as to what is in store for the UK. As the



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markets plunge into the vacuum of uncertainty, most large companies will continue business as usual taking advantages of any dips in the market. With the long-term hope that the government will not self-destruct anytime soon, it is likely that once the panic is over — certainty restored and regulatory matters resolved — at worst the end impact on UK language service providers (LSPs) will be nothing more than a few more work visas being required for their EU workers.

At this year's Association of Translation Companies' (ATC) conference in London, the underlying tone about the future of the industry was economically positive. However, as an industry we work globally and despite good business prospects there were undertones of deep individual political regret over the decision. Confidence in the government's ability to negotiate a reformed relationship with the EU remained high with an understandable level of concern over the uncertainty. Industry market research points to growth in the language service market as well as in the scientific translation arena. Given the skilled UK workforce coupled with the industry's strong march forward the outlook is positive for medical translation regardless of the uncertain mid-term local political landscape.

In terms of UK LSPs, our country's strong history of professionalism, motivated workforce, unparalleled education and the home of the world's business language English are all at a large discount to any international buyers. Along with all the other exporters this will provide a valued boost during this time of uncertainty.

It should be remembered that the inexorable globalization of the world's pharmaceutical industry

and the increasing global nature of business increasingly mean that this force is beyond the power of local governments. Industry is not fixed to one set of laws, and especially with easily globalized online services such as translation, its inherent light-footedness allows it to continue to grow despite local market uncertainty. As globalization and the pharmaceutical industry grow across the world, qualified medical translation specialists will grow in demand, regardless of local politics. At worst a local government can cause a shift in headquarters or resources to a more industry friendly environment. Real power, it could be perceived, still lies with industry and their inherent ability to evaluate, adapt and move rather than bend to local demands. In the globalized age, only a global, organized and concerted effort to wipe out a specific industry would be successful in diminishing its global long-term outlook. The actions of a single country can only at worst create short-term logistical and cost issues. With all the above in mind, companies are taking a wait-and-see attitude while planning for all eventualities from government negotiations, hoping that the status quo can continue.

The long-term impact of this decision waits to be seen. However, the UK has a long-proven history of adapting to changes, there is a hope that outside the EU the UK can develop even more strongly its position as a world leading space for innovation and science through new and improved systems of immigration, policy, funding, regulation and connected institutions. Regardless of the confusion, the world and its industries will move on, UK LSPs will need to look to the wider world more than ever, and keep its open-minded, adaptive and forward thinking culture strong. [M]