Verband der Chemischen Industrie e.V.
Wir gestalten Zukunft.

VCI POSITION COMPACT

Germany as a pharmaceutical location

The German pharmaceutical industry, characterised by start-ups, medium-sized and large companies, is an important economic factor and employer with a turnover of around 54.7 billion euros and 121,245 employees. However, shortages in the supply of generic drugs reveal a dependence on imports from East Asia. Conversely, foreign countries are equally dependent on imports from Europe. Since a strong pharmaceutical location is important for a good and secure supply, it is important to strengthen it as well as strengthening global value chains. The industry thrives on developing treatment options that are better than those that have gone before. As such, it is an essential component of the healthcare system in Germany. Drugs and vaccines are helping to bring diseases such as cancer, HIV or COVID-19 under control effectively – and doing so without placing any unnecessary strain on the healthcare system. In direct contrast: The share of medicines in the total expenditure for the statutory health insurance has been constant for decades at around 16 percent.

The gradual relocation of research

The development of new medicines is a complex and multi-layered issue. The rapidity with which the COVID-19 vaccines were developed, i.e.: in fewer than twelve months, should not obscure the fact that, of approximately 10,000 molecules initially considered as active substances, only one substance passes the approval process after a period of about eight to twelve years. As a rule: Production takes place in locations where research is also being conducted. Medicines are therefore more readily available. However, we have seen the emergence of a negative trend for some years now: In terms of competition, Germany is falling further and further behind countries like the USA, China, and Great Britain. More and more clinical research into biotech productions and gene and cell therapies is being conducted in these countries. The issue is further compounded by insufficient tax support for research and the exclusion of private from the Research Data Centre of the Statistical Offices of the Federal States and from voluntary data donations. The issue of patient protection has also come under fire.

Supply bottlenecks due to cost pressure

Generic drugs are responsible for the majority of issues regarding the supply of medicines. The Federal Institute for Drugs and Medical Devices currently lists more than 250 reports on this. This is due, among other things, to our dependence on basic and active ingredients produced in East Asia. Fewer and fewer production steps can be carried out in Germany and Europe as cost pressures mean that it is no longer economically viable to do so. If sources of supply become scarce, the production process will become susceptible to sometimes incalculable disruptions caused by delivery problems. This has led to a series of supply disruptions in Germany. If we were to strengthen the production of active ingredients in Europe, we would increase the likelihood of a reliable, improved, and continuous supply of generic drugs.

The VCI is calling for the following

- **Securing supply and strengthening global value chains**
  Having a sustainable industrial policy would incentivise others to produce in locations where protectionism does not exist and where the high European quality standards are met and can be audited. We need to abolish one-sided government incentives such as parallel trade as they just create supply problems.

- **Strengthening pharmaceutical research and production**
  As well as expanding fiscal research funding, we need to promote research partnerships both financially and structurally. Private research should have access to both health data and the Research Data Centre of the Statistical Offices of the Federal States. We need to ensure the protection of intellectual property. If we were to compromise on patent protection, as has been discussed in the case of COVID-19 vaccines, this would have a dire impact on investors' willingness to invest in future and would deprive innovative companies of their economic base.

- **Adequate prices for active substances and therapies**
  Security of supply does not work without adequate prices. This requires a clear political commitment and an honest debate without a false data basis. The pricing of innovative medicinal products in the AMNOG procedure must continue to be fair and equitable. New, high-use medicines also need to be able to command higher prices. EU public procurement law and the tendering regulations for rebate contracts also need to be modified.

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