



Cyprus: a history of exporting

The sun-lovers' island haven of Cyprus is a burgeoning exporter of generic pharmaceuticals and is looking to attract greater investment from the UK

Senior Reporter **Katrina Megget** | Edited by **Jenny Hone/Claire Bowie**

Cyprus is in a prime position to capitalise on the major austerity measures being set out by healthcare systems across the world; in the UK alone, for example, the remit is to strip £20 billion in what are optimistically called 'efficiency savings' from the NHS by 2015. These belt-tightening activities offer two-fold opportunities for generics firms: firstly, the amount of money countries spend on medicines has become a prime target for cost reduction; and, secondly, many major blockbusters are now facing the patent cliff.

The island of Cyprus, at the east mediterranean basin, has a population of less than a million people, which means for pharmaceutical companies located there it is more strategic to export products overseas than focus on the local market.

Indeed, the country has a 30-year history of exporting generic pharmaceuticals, which are ranked sixth in the country's exports to the UK for 2011.

Prescribing in the country "is about 20% generics and 80% patented drugs", says Charalambos Pattihis, group managing director at Remedica (www.remédica.eu), one of the country's largest generic manufacturers, which exports 90% of its products to more than 100 countries. "But," he adds, "about 100 companies outside of Cyprus are competing in this 20% share of the market" so there is no way the local generics firms could survive without the export business.

Cyprus is the third smallest pharmaceutical market in the EU, after Malta and Estonia, but the manufacturers there produce more than 1,100 products between them, of which

Cypriot products are of the same quality as those from the UK or other advanced countries, and they do not need to be re-tested and re-released to the market, as products from countries outside the EU do

an estimated 95% are exported. This equates to a worldwide export market worth in the region of £120 million, £1.7 million of which is exported to the UK.

Figures suggest that 36% of Cypriot drugs were exported to EU member countries, 47% to emerging markets and 17% to countries outside the EU, excluding developing countries. Preference is towards the emerging markets, which are less saturated, but long-standing agreements between Cyprus and developed countries, such as the UK, “improves the reputation and image of our products”, says Dr Nicolas Stylianides, chief executive of pharmaceutical manufacturer Aegis (www.aegispharma.com), which has a pipeline of 65 products and has just set up its own fieldforce.

Manufacturer Medochemie, for instance, has had a 12-year relationship with the UK, where four of its products are exported and a number of licensing agreements have been signed, while Remedica also has long-standing ties with the country. Daphne Pittas, regulatory affairs director at Medochemie (www.medochemie.com), says this highlights the fact they have experience with the Medicines and Healthcare products Regulatory Agency, as well as the UK business environment. In addition, adds Remedica’s Pattihis, their UK experience “makes entry into other markets easier”.

With a number of branded drugs already starting to lose their UK patents, the generics market is growing. And with pharmacists actively encouraged to prescribe generically, the British Generic Manufacturers Association believes there is still room to increase generic prescribing. In 2011, almost 69% of all prescription items were dispensed as generics – an increase from 67% a year earlier – representing just under 30% of the total cost, according to figures from the NHS Information Centre.

Fierce competition

However, competition for importing into the UK is fierce. In August 2012, pharmaceutical products were ranked fifth in the top five commodities imported to the UK from the EU, with a value of more than £1 billion. For Cyprus, India is the biggest competitor for the UK market, both in terms of its relationship with the UK and on price. But closer to home, Malta, which is similar in size to Cyprus, also offers strong competition.

“Cyprus has been exporting for a long time but other new EU entrants haven’t previously exported so they don’t have the experience or flexibility that Cypriot companies have,” says Pambos Voskarides, director at Vogen Laboratories (vogen@cytanet.com.cy), a small company with six anti-infective products and 20 nutraceuticals, all of which are exported. “Eastern Europe doesn’t really compare,” he adds. “Malta is very similar to Cyprus but, unlike us, has only recently developed its pharmaceutical manufacturing capabilities.”

The stand-out feature for Cypriot pharmaceutical products is, as Pittas says, “quality guaranteed”. The country joined the European Union in 2004 and then took on the euro in 2008, which has been beneficial because its products have to meet strict EU regulations, including good manufacturing practice and quality control. Pattihis says: “Cypriot products are of the same quality as those from the UK or other advanced countries, and they do not need to be re-tested and re-released onto the market, as products from countries outside the EU do.” He notes he has had customers in the past who have tried the “cheaper alternatives but have returned to us after being confronted with quality and supply problems”.

Vogen’s Voskarides says facility inspections in non-EU companies can cause delays in supply as well as adding extra costs. “What we can do for a UK marketing authorisation holder is offer the same service at more or less the same price as non-EU firms with the advantage that UK authorities don’t inspect us and we can release the product straight onto the new market with no delays.” Adds Pattihis: “It’s more important for UK companies to be dealing with ethical companies that adhere by, and respect, current principles like anti-bribery laws.”

Price wars

However, price wars exist in the lucrative and competitive import market. The average cost of a generic medicine to the NHS is £4.01 versus £19.73 for a branded drug. But Pattihis warns that despite the benefits to the healthcare system “there is a limit to how far prices can go before some companies start to cut corners”. And with such vigorous competition, generic prices are often driven to low levels. It is a concern, Pattihis says, as it’s not uncommon to see product recalls because of quality issues.

This is why Cyprus pushes the quality card. But equally, Cyprus can be very competitive on price, Pittas says, especially when considering the distance to the UK from Cyprus compared with non-EU countries. Additionally, wages are lower in Cyprus – which gives the country a price advantage – and ultimately these medicine prices can be compared more →

It’s more important for UK companies to be dealing with ethical companies that adhere by, and respect, current principles like anti-bribery laws

Cyprus offers a similar legal system to the UK, highly trained English-speaking staff, an export-driven mentality, and an excellent geographic location at the crossroads of Europe, Asia and Africa

→ easily and currency fluctuations and risks eliminated because Cyprus is an EU member, adds Aegis' Stylianides.

There are also other benefits that Cyprus offers including a similar legal system to the UK, highly trained English-speaking staff, an export-driven mentality, and an excellent geographic location at the crossroads of Europe, Asia and Africa. There is also the possibility of in-licencing products and putting contract manufacturing agreements in place; Remedica, for example, has conducted more than 100 licensing deals with the UK and other international companies and is looking to increase its presence in this way. This is part of the reason behind its new oncology facility, which will be one of the largest in Europe producing generic cancer drugs – the majority of which will be exported. Meanwhile, Vogen also acts as a 'middle-man' by offering a packaging and export service to countries where UK organisations may not have a presence, for example Azerbaijan.

Of course a strong export market is also important for Cyprus in terms of revenue, employment and additional services, like packaging and advertising. "It is very important for Cyprus to export industrial products," says Pittas. "There is a direct impact on growth and development. It's a sector that offers innovation and continuous development. We always think about the patients first and we are also proud to be flexible. With this in mind, I hope we can appeal to more markets and clients." **PT**

This special report has been prepared following the kind invitation of the Cyprus Trade Centre (CTC) in London to visit exporters of pharmaceuticals in Cyprus. The CTC is able to support enquiries, establish appropriate contacts and arrange visits to the island for importers. Further information is available at www.cyprustrade.com or www.cyprusmanufacture.com.

