Interview with Jeung-Soo Kim, President, Korea Pharmaceutical Manufacturers Association

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Could you please introduce KPMA and explain the role it plays within the South Korean pharmaceutical industry?

KPMA is the only association in South Korea regrouping the whole range of pharmaceutical companies, and therefore plays a pivotal role in advancing the industry in the country. We encourage and support our member companies in their efforts to increase R&D, to grow their business in South Korea and to export their products to new markets. KPMA also helps its members to provide medicines to countries for humanitarian purposes in different parts of the world. South Korea’s economy has made impressive progress over the last several decades, springing several world-class industries and global market leaders.

In light of the government’s focus on establishing a knowledge economy, what will be the importance of the pharmaceutical industry?

Indeed, for many years sectors such as IT, electronics, automobile and ship-building have contributed greatly to South Korea’s economy. However, these are mature industries in the country which have already reached their maximum levels in terms of profitability. On the other hand, the pharmaceutical industry still offers great potential to contribute to South Korea’s future development. Korea invests a lot of money on education and as a result the country is well known

for the quality of its human resources. This wonderful talent pool should be encouraged to bring together South Korea's expertise in information technology (IT), nano-technology (NT) and bio-technology (BT) in order to advance the pharmaceutical industry. Local companies are preparing for the effects of the Free Trade Agreement (FTA) with the United States – which we believe is likely to be approved by next year at latest. – through greater investments in R&D and manufacturing facilities. In this regard, KPMA is supporting the recently proposed special law (by national congress) which would help the Korean pharmaceutical industry in its quest to further grow and become internationally competitive. We believe that if this law is passed and we get the necessary support, South Korea could have companies among the top 20 in the global pharmaceutical industry by 2015.

To what extent is the South Korean government supporting the development of the pharmaceutical industry in the country and what are KPMA's main initiatives in this regard?

The government makes resources available through various funds managed by 3 main ministries such as Ministry of Education, Science and Technology, Ministry of Knowledge and Economy, and Ministry of Health, Welfare and Family Affairs. Companies and R&D institutes can apply for the project funding according to the funds' requirements. Under Ministry of Health, Welfare and Family Affairs, the Korean Health Industry Development Institute (KHIDI), which was established to support the health industries in South Korea, among which the pharmaceutical sector. KHIDI also provides services to the industry such as introducing local companies to foreign investors and research institutes. In addition, the government encourages pharmaceutical companies to invest in upgrading or expanding their manufacturing sites through tax benefits. Nonetheless, KPMA would like to see the government make specific R&D funds available for companies investing in the development of new chemical entities. This is one of the key aspects included in the new pharmaceutical industry law which KPMA is supporting. In addition, KFDA(Korean Food and Drug Administraion) has established a roadmap together with the Ministry of Health, Welfare and Family Affairs which aims to bring the local industry up to Current Good Manufacturing Practices (cGMP) by 2012. Over $1.9 billion have already been invested by companies to upgrade their facilities in the country, which illustrates their firm commitment to making South Korea one of the leading pharmaceutical industries in the world.

What is your assessment of the changes in regulation and government policy regarding healthcare, particularly cost containment measures such as the Drug Expense Rationalization Program (DERP), and their impact on South Korea's pharmaceutical industry?

Pharmaceutical companies invest a great deal of time and money in order to develop new drugs, and therefore require first and foremost to know that their products will have a proper price once launched. The uncertainty created by changing regulations and sharp price cuts makes it very difficult for companies to make the necessary long-term plans, and this reduces their willingness to invest in innovative drug development. We consider that the government should treat the pharmaceutical industry with a different philosophy than simply cost reduction, because it is dealing with medicines for the lives of human beings.

In your view, what will it take for local companies to successfully overcome growing competition from MNCs over the critical next few years?

The pharmaceutical industry in South Korea is currently at a defining moment, in which the FTA will increase imports and make competition very harsh. In order to survive, local players will have to grow in scale through mergers and acquisitions (M&A) so that they may dispose of greater resources to invest in their own R&D. The strong ownership model prevalent in South Korea makes M&A more difficult, but research-based companies are finding that it will be increasingly difficult to grow and compete alone and are therefore taking steps to enhance collaborations. However, I believe that their efforts should not be limited to new drugs, since we have already seen how local companies have been able to launch 14 innovative products in the last 10 years but have been less successful in terms of their marketing. Instead, Korean companies can also focus on niche markets such as ‘super-generics’ for which the local industry has competitive advantages.

What is your final message to the readers of Pharmaceutical Executive on behalf of KPMA?

I would like to thank Pharmaceutical Executive for giving KPMA the opportunity to present itself and its members to the international readers. We believe that the pharmaceutical industry should focus on developing quality medicines that will improve the health of human beings, and in order to achieve this we all need to work together. As for South Korea, we are determined to establish one of the best pharmaceutical industries in the world in the near future.

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