

GETTING THE EU-UK RELATIONSHIP RIGHT FOR THE EU

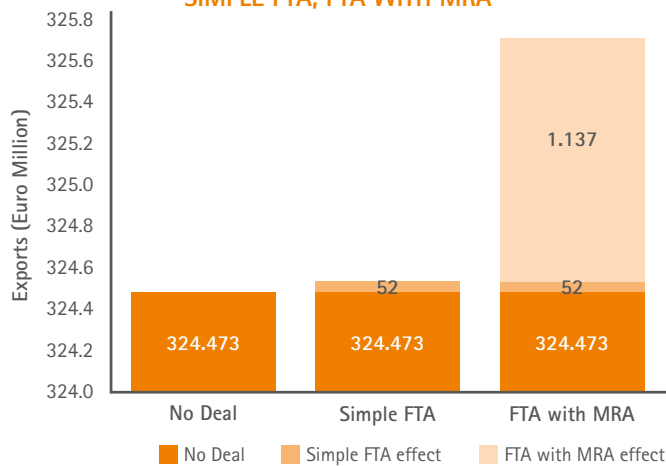
As attention turns to defining the future trading relationship between the EU and the UK, the Institute for International and Development Economics (IIIDE) published its study on the economic implications for Europe of three different types of trading arrangements; No Deal (trading under WTO rules), a Simple free-trade agreement (FTA) limited to covering tariffs for all sectors and an FTA that includes a mutual recognition agreement (MRA) on GMP inspections and batch testing for the pharmaceutical industry in addition to tariff liberalisation.



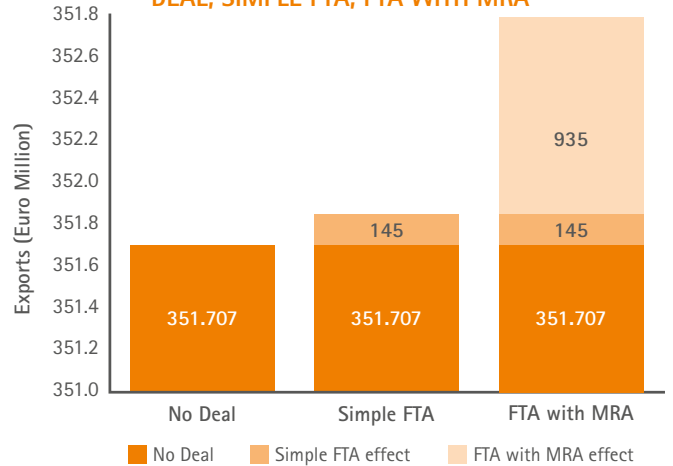
AN EU-UK FTA WHICH INCLUDES A MUTUAL RECOGNITION AGREEMENT IS THE MOST BENEFICIAL OF ALL THREE SCENARIOS FOR EUROPE.

EU nominal GDP will be €1.3 billion higher annually in an FTA with MRA, compared to a Simple FTA. Also, EU pharmaceutical total exports are expected to drop by 1.2% in the event of a no deal, and by 0.9% in case of an FTA with MRA. This is a difference of €1.2 billion annually in favour of an FTA with MRA. EU Pharmaceutical production will be almost €1 billion higher each year in an FTA with MRA compared to a No Deal.

IMPACT ON EU PHARMACEUTICAL EXPORTS UNDER NO DEAL, SIMPLE FTA, FTA WITH MRA



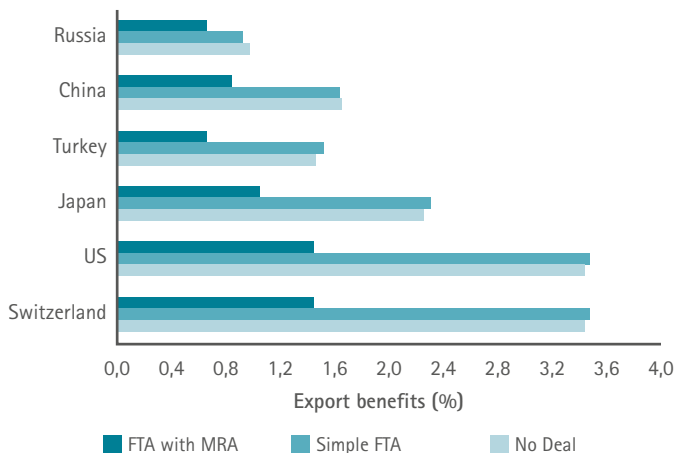
IMPACT ON EU PHARMACEUTICAL PRODUCTION UNDER NO DEAL, SIMPLE FTA, FTA WITH MRA



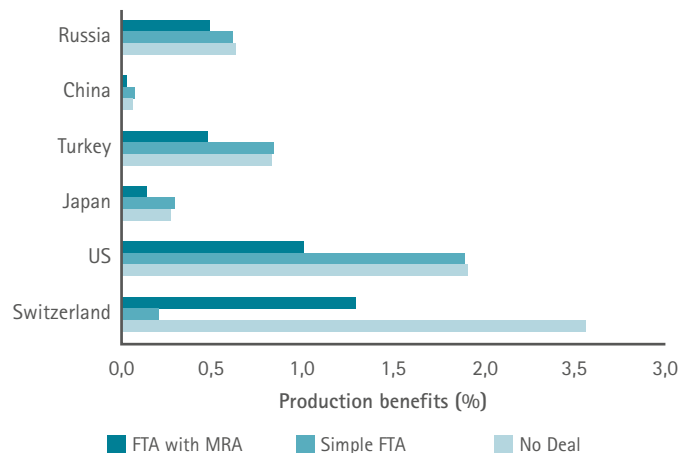
AN EU-UK FTA WITH A MUTUAL RECOGNITION AGREEMENT IS THE BEST WAY TO PROTECT THE EU'S GLOBAL PHARMACEUTICAL COMPETITIVENESS, RESILIENCE AND HELP ECONOMIC RECOVERY.

The more the EU and UK diverge the larger the benefits for third countries who will take over in terms of global exports and production from the EU and UK. An FTA with MRA will most mitigate this European (EU + UK) loss in competitiveness.

THIRD COUNTRY PHARMACEUTICAL EXPORT BENEFITS UNDER NO DEAL, SIMPLE FTA, FTA WITH MRA



THIRD COUNTRY PHARMACEUTICAL PRODUCTION BENEFITS UNDER NO DEAL, SIMPLE FTA, FTA WITH MRA

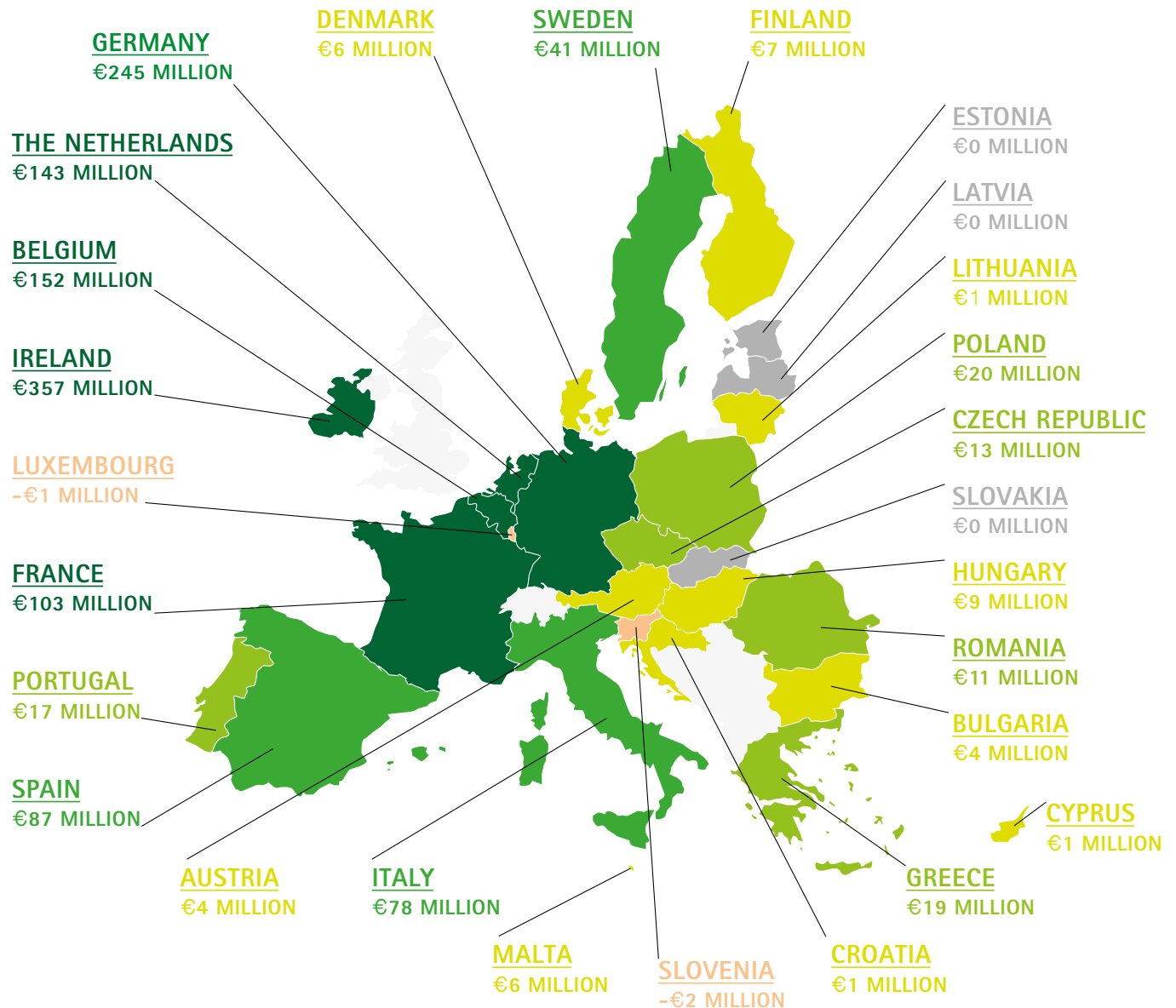




SOME COUNTRIES WILL BE IMPACTED MORE THAN OTHERS DEPENDING ON THE STATUS OF THEIR TRADING RELATIONSHIP WITH THE UK.

Exports from Ireland, Germany and Belgium are hit hardest under a No Deal or Simple FTA. Irish pharmaceutical exports would be € 719 million higher annually under an FTA with MRA compared to a No Deal. German exports would be € 196 million higher and Belgian exports € 191 million higher. For other EU Member States like France, Italy, Spain and Sweden, an FTA with MRA is also more positive for exports than a No Deal. The GDP effect of the Mutual Recognition Agreement (i.e. the FTA with MRA) in addition to a Simple FTA is positive for all EU Member States (except for Luxembourg and Slovenia where the effect is negligibly negative).

ANNUAL IMPACT OF THE MRA FOR EU MEMBER STATE NOMINAL GDP



There is a significant, long-term economic rationale for the EU and UK to agree to an FTA with MRA compared to the No Deal and Simple FTA scenarios when looking at exports, production and global competitiveness in pharmaceuticals. Without an FTA with MRA, both the EU and UK become less competitive compared to other regions.