

# “It’s Not by Accident that Glaxo is Right On Top”

ET Q&A

**Andrew Witty**,  
global CEO of GlaxoSmithKline (GSK)

is a self-confessed Indophile; he’s run Glaxo’s India operations for about five years from 1999. Now, as CEO of the pharmaceuticals and consumer goods major, he has pushed the UK-based company’s focus out towards emerging markets, moving East. For instance, unlike his predecessor, he’s based in London because there’s no way you can handle Asia living in America. “Maybe my successor will be based in Asia,” he tells **ET’s Sudeshna Sen**. With GSK’s two Indian arms, makers of Augmentin and Horlicks, doing £200 million (\$330 million) in the first quarter on operating profits, heading for an annual turnover of \$1.4 billion, the pharma arm growing at around 17-18% and its consumer business growing at 15-20%, Witty has, as he will tell you, absolutely no reason to complain. He will also tell that it’s because he grew up living in Asia and Africa that he has somewhat controversial views on the whole issue of global pharma patents and pricing of drugs. He believes that pricing should have nothing to do with patents or an IPR regime and global pharma needs to break the link between high prices and patents for different countries.

## **What are your views on the global debate about pricing and patents for drugs?**

Just because you have an IP framework, doesn’t mean it has to be highly priced. Pharma companies need to understand that just because you have a patent, people don’t suddenly have money in their pockets, or can afford American prices. It’s not a view that I’d say is shared by everyone in our industry, but I have strong views on this. A good IP framework is a big treasure but it is not to be confused with pricing; put it in a box, and

have a separate discussion on it.

Take Kenya. If they give me a patent, there’s still no way we can charge the same price as in New York. A system in which the price goes towards the R&D and discovery of drugs, can only work if people across the world accept it as a sustainable and reasonable system. You can have a low-priced, high-volume model. You can’t be greedy in the short term.

Take India; about one third of GSK’s total global volume of production (including consumer) is sold in India, and it contributes about 3% of the turnover. There have been times when we’ve launched our own discoveries in India. We’ve grown up in India in a non-IP regime, we are a branded generics company. But it is not by accident that Glaxo is right up there at the top of the heap along with the major Indian companies, while other foreign pharma firms are at the low-end, or need to spend millions to buy into the market.

## **What pricing policy do you follow at GSK globally?**

GSK follows a tiered pricing approach. Which means that countries with a higher GDP should contribute more to the cost of R&D. US and Japan have the highest prices, then Europe and other developed countries, then we have a range of emerging countries like India, and then the least developed countries, where the pricing is almost at a no-profit level. Some of our competitors charge the same price globally, but we don’t.

## **What should be the pricing policy in India, and how do you view the Drug Price Control Order?**

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superfluous to the Indian market. It had its day about 20 years ago. A government can always retain the right to intervene if any company is abusing its privileges, but a static price intervention policy is a poor cousin to a highly effective competitive environment. It can dull and distort competition. About 20% of our drugs come under the DPCO, so it’s not a big concern, but the whole policy seems a little bit anachronistic to me.

## **What kind of IP framework do you see in India?**

An IP framework that is not enforced or is bureaucratically slow, is useless. Right now, even the Indian pharmaceutical companies are moving towards the need for an IP framework. What a good framework will do, is that it assures companies that your research is safe, it also creates an environment where R&D into drug discovery – an area in which India needs to grow – takes place, and encourages scientists and talent to get into that field.