

UKRAINIAN PHARMACEUTICAL MARKET IN CONTEXT OF
GLOBALIZATION: CHALLENGES AND PROSPECTS

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The article is devoted to the peculiarities of the process of globalization of the world space, and the main trends in the development of the global pharmaceutical market at present. The article also discusses the features formation and development of the Ukrainian pharmaceutical market and the factors that determine current competitiveness of the pharmaceutical industry in Ukraine.

Keywords: globalization, the pharmaceutical market, competitiveness, competitive advantage, competitive factors.

Problem Statement. Global transformations that have taken place in international development since the last quarter of the XX century, led to significant changes in the global economic environment. It is connected with the competition the main positive effect of globalization. Changes in the structure of the economy, the growth of the openness of national economies under the impact of globalization, the gradual transformation of business processes towards the formation of a knowledge economy changes the contents of competition and competitiveness. Under present conditions, when the Ukrainian economy is integrated into the global economy, it is transformed into a highly competitive environment, particular attention is drawn to the problem of increasing the competitiveness of domestic pharmaceutical companies and the pharmaceutical industry as a whole, an adequate response to the demands of the globalized pharmaceutical market.

The most important trend of world development is economic globalization, which means the increase in the scale of international exchange in an increasingly open, integrated, which does not recognize the borders of the world economy. It, in turn, is closely related to increased competition in world markets, including the

pharmaceutical market. If you have previously been protected national markets and dominate them were clearly defined, and increased competition held back direct intervention of governments and cartels, the modern global competition takes place on a specific background processes of internationalization of production and circulation areas where national control of transboundary movements of pharmaceutical products, capital and labor is becoming less effective.

The current global pharmaceutical market is competitive and large multinational companies and banks that distribute their own cultural and economic stereotypes on less dominant in the pharmaceutical manufacturing firm. This leads to the actualization of the study categories of competition and competitiveness of the national pharmaceutical market and industry trends.

Unresolved aspects of the general problem. Despite the obvious importance of this problem, the degree of scrutiny and coverage of the issues of the pharmaceutical industry in the economic literature is clearly insufficient. In the conditions of globalization, both production and market pharmaceutical products undergo significant changes, which requires an adequate reflection of the processes in research.

Analysis of recent research and publications. The study of the phenomenon of competition goes to the roots of political economy, and can be seen in the writings of the writings of David Ricardo, Paul Samuelson, A. Smith, F. Ken, Joseph Schumpeter. The modern history of the competition has been developed in the last quarter of the XX century. through the work of Michael Porter, A. Strickleid, A. Thompson, I. Ansoff. Among modern scholars engaged in research in the field of competition should be called S. Avdashev, G. Azojev, M. Gelvanovsky, P. Zavyalova, V. Lunev, A. Subeto, R. Fatkhutdinova, V. Hrutskiy, etc. The problems of globalization and the relationship competition investigated by V. Gordeev, V. Huseynov, M. Phypenko, indicating the presence and strengthening the competitive environment of globalization processes , the development of which at present makes new demands on the behavior of states and international economic policy.

Paper objectives – identifying the basic laws of the pharmaceutical industry at the present stage of development of economic relations, analysis of the characteristics of the world pharmaceutical market, the study peculiarities of the Ukrainian pharmaceutical market in the context of globalization.

Discussion. Globalization is the process of interaction between individuals, businesses, institutions and markets, which manifests itself in increased international trade, migration, financial integration, and others [1]. The global pharmaceutical market is a field of a powerful conglomerate of producers and sellers of goods for health care, research scientists, creating new means to treat customers - sick people who buy products and physicians prescribing these products. The uniqueness of the pharmaceutical market is to meet the needs of the population in improving health, maintaining its prevention, can be attributed to them in the category of vital and essential. This feature has a significant influence on the demand, which depend on the production, supply, product range, market conditions, the market capacity and other characteristics [2].

For the industry is characterized by stable, high rates of growth and profit, and the growth in demand for drugs in the world and in some countries is almost independent of ups and downs in the economy. The pharmaceutical industry stands today as one of the most important sectors of the world economy, which seriously affects the situation in neighboring areas: health care, insurance business, finance, etc. In this case, increasing knowledge intensity of pharmaceutical production provides tight development of linkages with a number of industries, such as petrochemicals, biotechnology, and military- industrial complex.

With the globalization of the world economy pharmaceutical industry is undergoing a qualitative change as a result of extensive geopolitical processes that transform the scale of markets for products industry, eliminate enclaves countries and regions, isolated from the global patent system to encourage unification of preclinical and clinical research methods in the making of medicines. We see five trends shaping current sales performance across the geographies where the pharma group competes (table 1).

Table 1

The TOP of 20 Pharmaceutical Companies*

2013 Rank	Company HQ [website]	2012 Rx Sales (USD millions)	2012 R&D spend (USD millions)	2013 Rank	Company HQ [website]	2012 Rx Sales (USD millions)	2012 R&D spend (USD millions)
1	Pfizer New York [pfizer.com]	\$47.404	\$7,046	11	Teva Petach Tikva, Israel [tevapharm.com]	\$17.681	\$1,283
2	Novartis Basel, Switzerland [novartis.com]	\$45.418	\$8,831	12	Amgen Thousand Oaks, California [amgen.com]	\$16.639	\$3,318
3	Merck Whitehouse Station, NJ [merck.com]	\$41.143	\$7,911	13	Takeda Osaka, Japan [takeda.com]	\$15.173	\$3,720.5
4	Sanofi Paris, France [sanofi.com]	\$38.370	\$6,117.8	14	Bayer Leverkusen, Germany [bayer.com]	\$14.734	\$2,522.7
5	Roche Basel, Switzerland [roche.com]	\$37.542	\$8,032.2	15	Boehringer Ingelheim Ingelheim, Germany [boehringer-ingelheim.com]	\$13.686	\$3,012
6	GlaxoSmithKline Brentford, England [gsk.com]	\$33.107	\$5,255.7	16	Novo Nordisk Bagsvaerd, Denmark [novonordisk.com]	\$13.478	\$1,882.3
7	AstraZeneca London, England [astrazeneca.com]	\$27.064	\$4,452	17	Bristol-Myers Squibb New York, New York [bms.com]	\$13.155	\$3,715
8	Johnson & Johnson New Brunswick, New Jersey [jnj.com]	\$23.491	\$5,362	18	Daiichi Sankyo Tokyo, Japan [daiichisankyo.com]	\$11.019	\$2,287.2
9	Abbott Abbott Park, Illinois [abbott.com]	\$23.119	\$2,900	19	Astellas Pharma Tokyo, Japan [astellas.com]	\$10.835	\$2,224.3
10	Eli Lilly Indianapolis, Indiana [lilly.com]	\$18.509	\$5,074.5	20	Gilead Sciences Foster City, California [gilead.com]	\$9.398	\$1,682.7

Sources: Company financial statements, SEC 10k reports, other Pharm Exec estimates, and contributions from the EvaluatePharma industry sales surveys.

Recently, the more common term is not a country - the leader and the corporation - the industry leader. The share of the largest pharmaceutical firms account for the lion's share of production capacity. They have sales in excess of tens of billions of dollars, and high levels of market capitalization. For example, companies such as Pfizer, Merck, GlaxoSmithKline, Johnson & Johnson have capital ratios are comparable with those of companies such as General Motors, Exxon Mobil, etc. In 2013, the international rating agency Moody's expects the global pharmaceutical market growth in the number of mergers and acquisitions (M & A). Thus, according to the report Moody's, in 2013 will be dominated by small and medium-sized transactions Large companies can spend on mergers and acquisitions 1 - \$ 2 billion of transactions most likely participants experts believe the American Swiss Novartis and Pfizer and Roche. Among the potential of active buyers is called the Swedish- British AstraZeneca, which is necessary to expand the product portfolio against the loss of patent protection on a number of blockbusters. In general, over the

next 12 - 18 months, Moody's maintains stable outlook of the pharmaceutical industry [3]. Overall sales in the global pharmaceutical market by January 2013 will amount to 575.8 billion USD (in terms of MAT - Moving annual total) [4].

In the short term, this role will go to developing pharmaceutical markets (China, India, Brazil, Russia, Mexico, Turkey and South Korea), which will continue to grow at a rapid pace of 12-14 % per year. However, the quantitative growth in range of drugs on the market do not provide innovative brands and generic drugs, which are analogues of patented drugs produced by other manufacturers after the expiration of the patent. Increasing the share of generic drugs on the market, especially but developing countries is due to several reasons, among which is dominated by the price factor, as generics have lower prices, sometimes dozens of times than the original products, which is important for budget financing and insurance payments. At the end of XX century was shaped trend growth segment of the market of non-prescription medicines to self-medication and self-help. Abroad, they are called « drug to counter» - «over-the-counter-medicines» (UTS). In Ukraine, the group adopted the term «non-prescription drugs» (BRD). Regional Office for Europe (Copenhagen) notes the widespread use of non-prescription medicines in Europe. The largest is the OTC market in Germany - 34 %, followed by markets in the USA - 31%, Japan - 17%. According to experts expect further growth in this segment of the market [5]. The analyst firm IMS Nealth provided regular review of the development of the global pharmaceutical market in the 12 months to January 2013 [4].

The market volume in North America decreased by 2%, and rates of USA and Canada decreased by 2% and 1 %, respectively. In Europe, the positive trend is stored only on the German market. The report «IMS Market Prognosis TM», which the company «IMS Nealth» published April 20, 2013, it is projected that global pharmaceutical market over the next five years will increase by almost 300 billion USD, reaching 1,1 trillion USD in 2014. Annual growth rate in this period will be 5,8 %. The key factors determining the development of the pharmaceutical market in the forecast period, which is the end of patent protection of some blockbuster drugs in

developed countries (with one hand) and the increase in the overall rate of growth in the emerging markets of drugs (other) [6].

Of particular importance in achieving competitive advantages both at the level of individual industries and country-level factors are technological change , trade liberalization, expanding the scope of business through the use of new means of communication, harmonization of standards and others. In Ukraine, the pharmaceutical industry's competitiveness factors have a special character manifestations (table 2).

Table 2

Competitiveness factor's manifestation in Ukrainian pharmaceutical market

Factors of pharmaceutical industry competitiveness	Nature of the manifestation of factors in Ukrainian pharmaceutical market
Technical and technological	insufficiently high technical and technological level of domestic pharmaceutical production, coupled with underfunding industry
Innovation and investment	low level of innovation and investment in relation to the pharmaceutical industry with both domestic and foreign investors
	deepening of innovative production backlog of global trends
Domestic demand	low "innovative" quality of investment in the development of national competitive advantages of pharmaceutical companies
	social polarization of society (the lack of equal rights of access to social and economic benefits)
	low efficiency of the system of tariff regulation (vulnerability of domestic pharmaceutical manufacturers with respect to the "organized" importers)
System factors	lack of development of modern information technology and communications, public relations
	low efficiency of methods of regulation
	low level of investment in health
	high transaction costs of business and investment activities of pharmaceutical companies
Science and Education	inconsistency of the legal framework, particularly in the area of taxation of the pharmaceutical industry
	lack of sufficient funding for science
	the lack of adequate public "support" of universities and companies implementing innovative programs in the field of pharmacy
	underfunding of the largest universities in producing professionals in the field of pharmacy and medicine (the need for a special development funds)

As for the domestic pharmaceutical market, it is also actively developing, the average annual growth rate for the period from 2007 to 2010 accounted for + 24 % in local currency and 6,6 % in USD. In addition, there is great potential for growth: consumption of medicines per capita in Ukraine is 63 USD, Russia - 94 USD, Poland – 254 USD, Czech Republic - 331 USD [7]. Ukrainian pharmaceutical market is in a stage of development and requires special attention to the issues of competitiveness and quality.

The competitiveness of the pharmaceutical production by the ability to constantly evolve and innovate: the original national companies achieve competitive advantage by changing the basis on which they compete to keep the advantage enables continuous improvement of product, method of production and other factors, and so quickly, that the competitors were not able to catch up with them and overtake. Development and updating of the industry - an ongoing process that needs to be stimulated by the state. That national competitiveness determines the success or failure in specific sectors of production and the place that the country ranks in the world economy [8].

Conclusions and prospects for further research. Thus, at this time the situation in the pharmaceutical market is quite positive although there are a number of serious problems. However, compared with other industries , the pharmaceutical industry is more protected from the crisis , as the demand for drugs is not as elastic as, for example, the automotive industry and other objects essential [9]. There is also a strong impetus for further research and development.

The state of the pharmaceutical market of Ukraine gives reason to characterize it as an evolving , requiring investment , restructuring and diversification of export structure by increasing the share of high-tech products that meet international standards.

Ukraine has a chance to take its place on the world stage in the development and implementation of measures aimed at strengthening the existing and create new competitive advantages in the pharmaceutical business. Future research and drug development new require active use of technology, including biotechnology. To

enhance the international competitiveness of the pharmaceutical industry needs to create a national social system that promotes inventions, the practical implementation of research in the field of pharmacy in the domestic and foreign markets.

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