

The UK pharmaceutical industry; challenges in an era of globalization

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In the 1980s the word 'globalization' came into popular use to describe a number of changes occurring to large corporations and the environment in which they operated. There developed a consensus at that time and since that globalization is associated with the growth of large multinational corporations (MNCs), with technological change and the decline in trade barriers, as well as, most usually, with homogenization of customer tastes and a need for global scale, relatively unimpeded by national differences. Debates about globalization concern its origins and extent, its causes and its consequences, all aspects which will be discussed in this paper.

The business of the pharmaceutical industry has, more particularly in the second half of the twentieth century, been divided between, on the one hand, prescription (or ethical) drugs, which are not directly sold to the consumer but are chosen by the medical profession and, on the other, the over-the-counter (OTC) medicines which are bought directly by consumers. Frequently described as a global industry, of the top 20 MNCs in the industry, nine are based in the USA, eight in Europe, two in Japan and one in Israel; the latter, Teva, is the world's largest generic drug manufacturer (Economist 2008). In general there is more diversity and fragmentation among the small and medium-sized companies which compose the rest of the industry, most of them manufacturing and selling generic drugs and OTC medicines. In contrast to that part of the industry, the MNCs compete by innovation, supported by patent and trademark protection and promoted by brand, the dominant paradigm in the industry for the last 60 years.

The first section of this paper explores the origins of multinational activity through the growth of international trade from 1890 to 1945. The second section goes on to examine the rapid growth of pharmaceutical MNCs between the 1950s and the 1980s, specifically identifying how the UK industry maintained a significant presence among the large MNCs which dominated the industry. Section three discusses the challenges the industry faced in the decades immediately before the turn of the century, including the growth of the biotechnology industry, the pressure on prices and profits from governments seeking to contain ever rising health costs and the industry's response to these. In the fourth section the industry's changing structure in the 1980s and the 1990s will be examined and the extent of its globalization measured, using some of the dimensions defined in the literature of that time. The final section draws conclusions and suggests that there are a number of industry-specific features which may well impede further globalization.

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