

Globalisation and change in the Japanese pharmaceutical industry, 1990-2010

Abstract

In the 1990s, Japanese pharmaceutical industry faced a crisis. This crisis was caused by the government's decision to open the domestic market to foreign competition. Prior to the 1990s, most pharmaceutical firms in Japan had been sheltered behind a combination of protectionist measures. Imitative and inefficient firms had managed to remain profitable without the threat of foreign firms. While Japan led the world in certain high technology industries, such as automobile or electronics, it remained a minor player in the global pharmaceutical industry. Japan's leading pharmaceutical firms invested less in R&D and recorded lower sales compared to leading global firms. The country remained a net importer of pharmaceuticals and few Japanese drugs were found outside the country. The global pharmaceutical industry was led by firms from the United States, the United Kingdom and Switzerland, rather than those from Japan.

In the 1990s, however, Japan's pharmaceutical industry experienced a dramatic transformation. Following deregulation and the harmonisation of Japanese pharmaceutical regulation with those in the United States and Europe, Japanese firms increased their investments in R&D and pursued an unprecedented number of mergers and acquisitions. While the industry as a whole remained globally uncompetitive, this period saw divergent performance between the domestically-oriented firms who struggled to survive, and the more globally oriented firms – such as Takeda and Astellas – who substantially expanded their international operations.