

English summaries

Polish trade with China in pharmaceuticals in the context of the development of this industry

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Pharmaceutical industry has been highlighted in the strategic policies formulated by the Polish government as one of the pillars of the country's competitive advantage. The development of the Polish pharmaceutical enterprises, an increase in market share and introducing innovations are among the key goals of the Polish national pharmaceutical policy. Their implementation should have a significantly positive impact on the market share of the domestic enterprises, on national pharmaceutical security and on the growth of exports. However, statistical data indicate that in terms of trade exchange with China the actions implemented so far have not yet brought significant positive results. The latest developments show rather adverse trends instead.

Direct exports from Poland to China in pharmaceutical products have dropped dramatically from 36 million USD in 2014 to 31 million USD in 2017, and then further to merely 17.5 million in 2018, according to Polish data. The export of medicaments grew rapidly: from 3.5 million USD in 2014 to 34 million in 2015, and then dropped to less than 8 million USD in 2018. Simultaneously, in the Chinese statistics, imports in pharmaceuticals from Poland grew from 34 million USD in 2014 to 75.5 million USD in 2015 and after two years of much lower values the imports rebounded in 2018 to 61 million USD. The gap between Chinese and Polish data could to some extent be caused by the different classification of goods but a more plausible explanation is the impact of the indirect import of the Polish pharmaceuticals to China through third countries.

During the 2014-2018 period, the relatively high dynamics of indirect exports from Poland to China were slower or similar to the increase in imports from China. Direct exports are more beneficial for the Polish state and desirable than indirect exports. In terms of absolute values, the Polish exports to China are relatively modest and the share of Polish medicaments in the Chinese market, with exception of heparin, is insignificant. Heparin exports to China have been successful and the exported goods' value has increased over the years. The dynamics of Chinese overall heparin imports were much higher, however, and the share of Polish heparin has dropped significantly from 30.5% in 2017 to 17.6% in 2018.

Simultaneously, the imports of pharmaceuticals from China to Poland have grown dramatically, fuelled mainly by medicaments. From 2014 till 2018, the overall imports of pharmaceuticals have grown from 36 million USD to 122 million, according to Polish data. Chinese statics show an increase from 27 to 127 million USD. In medicaments, the recorded growth was from less than 2 million USD in 2014 to 81 million in 2018, according to Polish data, and from little above 1 million to almost 90 million according to Chinese statistics. It should be noted that APIs and some other drug-related products, such as antibiotics, are not included in the pharmaceutical products and are thus not included in the statistics for pharmaceuticals.

Compared to other key exporters, the value of imports to Poland from China is still relatively low but much higher growth dynamics result in a rapid increase in the share of Chinese products in the overall Polish imports of pharmaceuticals. China's share has grown from 0.61% to 1.63%, while the share in medicaments imports has grown from 0.06% to 1.57%. As a result, the Polish deficit with China in pharmaceuticals ballooned in recent years, reaching over 40 million USD in 2017 and almost 105 million in 2018, according to Polish data. In the Chinese statistics, China's surplus is reported in the amount of 27 million in 2017 and 65 million in 2018.

China's pharmaceutical market is growing and the imports also growing quickly. The Chinese domestic manufacturing base is well developed but focused mainly on generics

drugs. More advanced and expensive therapies are imported. Competing in prices in low and mid-range products does not seem to be a viable strategy for Polish exporters planning to enter the Chinese market. Polish manufacturers should seek the opportunities in advanced generic and innovative drugs. Polish manufacturing base comprises mainly of small and medium enterprises. Research, development, commercialization and export of the new innovative drugs are expensive and risky. Effective state support to facilitate further development of private Polish enterprises is needed. Polish pharmaceutical industry will face growing Chinese competition both in Poland and in foreign markets. Chinese authorities provide strong support for the domestic manufacturing enterprises and currently incentivize them to develop new innovative drugs to compete successfully with foreign brands. The financial support and privileging of the Chinese companies over foreign competitors have in many instances infringed the international agreements and have created challenging market conditions for new entrants. Effective support of the Polish companies planning exports to China and competing with their Chinese peers in other markets requires solutions that are tailored for small and medium enterprises.

The implications of the Japanese F-35 crash

On April 9, 2019, a JASDF Lockheed Martin F-35A aircraft crashed into the Pacific Ocean. The cause of the accident is yet unknown but it could have been the pilot's mistake. The flight data recorder was found in parts and therefore it is impossible to read it. There is a risk that some parts of the aircraft could have been captured by third parties, which could result in an information leak of the American fifth generation fighter's technological secrets. Some technical problems concerning the F-35 have been reported in the past. An emergency landing of one aircraft during test flights has also been recorded. In order to replace their old F-4 fleet, Japan plans to purchase 147 F-35 aircrafts (A and B variants) worth 100-126 million USD per unit. It is unlikely that the accident will influence these plans. It is also known that the Japanese F-35B aircraft will be stationed on Izumo class ships that have been modernised to function as aircraft carriers. Poland, which also plans to purchase F-35A aircrafts, should carefully monitor the Japanese investigation and use the collected information to take necessary steps in the future.