Abstract

Pharmacy industry, as an important component of national economy, is of significant developing meaning. State Development and Reform Commission proposed clearly a boost of medicine industry development in its "11th Five-Year Plan development guidance of medicine". However, nowadays, while maintaining rapid growth, China's pharmacy industry exposes several serious problems, such as irrational structure and poor creating ability. In order to learn from the successful experience of pharmacy industry development in Europe and the U.S developed areas (herein after referred to as the Western), and explore the motivation of their prosperity and maturity, this paper systematically describes and comparatively analyses the industrial organization of Chinese and the Western pharmacy industry in market structure, market conduct and market performance according to SCP frame in traditional industrial organization theory. In this way, we can find the way to solve the existing problems of China's pharmacy industry and promote its fast emergence and long-term healthy development.

This paper first introduces the theory basis of this paper, SCP frame in the traditional industrial structure theory, on which this paper analyze the pharmacy industry organization of China and the Western respectively based. After that, it horizontally compares the two, analyze the differentiation itself and its reason, and submit the suggestion at last.

Study shows that great differentiation do exist in three aspects of SCP between China and the Western. From the aspect of market conduct, besides the differentiation caused by R&D investment, the discrepancy of in-and-out barrier shows the inferior law and technology barrier; next, the market conduct differentiation mainly lies in price conduct and organization regulation conduct. China's present medicine price policy limits the research activity and profits. Also, the external industrial environment is not good for the achievement of rationally strategic M&A and cooperation; moreover, seen form the market performance, the good profit of the Western pharmacy industry mainly depends on patent products, with great product differentiation, building on powerful R&D forces behind the development. On the contrary, the small investment in Chinese pharmacy industry resulted in repeated low-level products of similar quality and thus less profits.

According to above findings, I believe that the keys to solve present problems

existing in pharmacy industry lie in adjustment of the industrial structure, and development of industrial environment. Thus, this paper advises to improve industrial market structure and optimize the allocation of resources; to cultivate a good industrial environment, and encourage company to be advantageous to complement the resources; to improve medicine pricing mechanism, encourage R&D for new medicine and production of quality products. Moreover, enterprises need to increase the investment in R&D, form advantageous R&D field and back-up product line, and strengthen of the pre-M&A assessment and post-M&A integration.

KEY WORDS: China, Europe and the U.S, Pharmacy Industry, Industrial Organization, Comparison