

PHARMACEUTICAL AND CHEMICAL INDUSTRY in ARMENIA

With a tradition of fine chemical production, Armenia's pharmaceutical industry has blossomed over the past decade into one of the country's most dynamic sectors of the economy. Exports of pharmaceutical products, for instance, have grown at an impressive compound annual growth rate of 50% during the past five years. Pharmaceuticals are one of the fastest growing business sectors in Armenia.

The pharmaceutical industry is one of few export-oriented industries in Armenia. Approximately 30% of locally produced drugs are exported. Key foreign markets for Armenian companies comprise the CIS, with a predominance of Central Asian countries (Uzbekistan, Kazakhstan, Turkmenistan, and Tajikistan). Armenian companies also compete successfully in the Georgian, Belarusian, Russian and Ukrainian markets. These market links are, of course, historical in nature but continue due to the common use of the Russian language and the free trade regime among CIS countries.

The fine chemical industry has been a prominent part of the Armenian economy for many years. In the 1980's, approximately 10% of manufacturing output was generated by the chemical sector, to which pharmaceutical production belongs. The first Armenian pharmaceutical company, Yerevan Chemical- Pharmaceutical Firm (earlier Yerevan Chemical-Pharmaceutical Plant), was founded in 1967. A year later, the company had started production of ten different medical preparations. The company was privatized in 1995.

A new wave of extended pharmaceutical industry development commenced with the upturn of country's economy in the mid 1990's when Armenia succeeded in gaining macroeconomic stability and sustained economic growth. It was in this period that Armenia received its first foreign investment in the pharmaceutical manufacturing industry. Currently there are 17 pharmaceutical companies with licenses to produce drugs in Armenia. They are all specialized in the production of generic drugs.

Product quality is a high priority amongst Armenian manufacturers. Most raw materials and chemical compounds used in production are therefore bought from EU and US suppliers. Additionally, the well developed and internationally recognized Drug and Medical Technology Expertise Center of Armenia, with its state-of-the-art laboratory equipment, assures the appropriate testing of both inputs and outputs of the pharmaceutical industry. The presence of such capacity in the country is one of the industry's key advantages. The implementation of internationally-accepted quality standards, which is in process, will further support quality assurance and reduce the risk of substandard products entering the market.

Three major producers have been successfully audited by Western companies and one has already reorganized their company structure and processes in accordance with GMP standards and will be certified after completion of a new factory.

The total cluster workforce is estimated at 4,800-5,000 out of which 550-600 are employed directly in pharmaceutical and biotech production. Most production jobs require skilled specialists with higher education. Pharmaceutical companies are largely small and medium-sized companies. The number of employees varies from company to company ranging from 30 to 100.

The pharmaceutical industry in Armenia has a great potential for further growth resulting from:

- high forecasted CIS market growth,
- the available knowledge and technology base,
- possibility of import substitution,
- skilled workforce, transparency in the sector, openness for investment, and a well-developed national drug agency.



BACC

Although current production volumes are relatively small, opportunities exist for potential investors in: penetrating the large and growing markets of the CIS through existing free trade agreements, and utilizing small to moderate scale production facilities – ideal for low volume, high value production.

CIS pharmaceutical markets have significant growth potential and will largely be supplied by imports which grew on average by about 20% between 2000 and 2007. The largest markets are Russia, Ukraine and Kazakhstan demonstrating the highest growth rates (above 30% per annum) among CIS countries. Opportunities also exist for manufacturing low-volume specialized drugs that larger producers find uneconomical to produce.

As mentioned above there is a potential for further development of fine chemical production to provide intermediary raw materials for the pharmaceutical industry in many countries all over the world. The demand for such materials is growing due to increased applications of these materials. The Armenian Institute of Applied Chemistry offers an innovative and commercialized concept of modular flexible production of intermediary chemical materials in accordance with a changing demand for of the market. The concept enables to rapidly adapt production facilities to the actual demand. The Institute developed rapidly changing production for about 3,000 intermediary materials. The Institute currently exports 99% of all produced intermediary chemical materials.

Another innovation is the utilization of the emission of polluting gases from the artificial rubber plant “Nairit” for production of many chemical materials as a basis for pharmaceutical and fine chemical industries.



BACC