PharmaDeals Review
ISSN: 1756-7874
Vol 2009 Issue 12 | Page 126
Published: 15 Dec-2009
DOI: 10.3833/pdr.v2009i12.1285

Section: Editorial

Pharma Companies Rush to China

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In the last 10 years China has been positioning itself to become a major player in the global healthcare industry. Recently, major global pharma companies have announced that they are speeding up their investments for R&D in China.

China is an emerging market and because of its huge population, it is attracting a lot of attention from Western pharma companies that want to grab a share of the country's drug market. There is a huge population and a demand for healthcare that is growing rapidly as the population suffers from a greater burden of chronic diseases associated with lifestyle changes. Keen to expand in this market the Chinese Government has been actively encouraging the biopharma sector by pumping vast amounts of financial assistance.

Many Chinese companies initially provided contract manufacturing services and have become a serious cost-effective alternative to Indian companies. Western companies, under pressure to preserve profit margins, need to find new ways to lower their costs and are outsourcing manufacturing and research services to China. Recently, AstraZeneca decided to move production to China and will stop producing or sourcing all active pharmaceutical ingredients in the UK as part of its cost-cutting drive over the next few years.

Another major area of growth is China's increasing capability to carry out high quality scientific research and its recent advances in biotechnology. China is setting itself to become a hub of innovative research, which is a rapidly expanding segment of the market, providing new opportunities for Western pharma and biotech companies. There are signs that the intellectual property environment in China is also improving. Recognising this potential, the major global pharma companies have announced big pushes into China in recent months with several planning to set up their major R&D centres there.

Novartis has said it was investing US$1 B in China to build a research plant emphasising the importance of developing markets for future growth and Merck Serono's parent company, Merck KGaA, will spend millions of Euros on a global R&D centre. In both cases the sites would become their worldwide R&D hubs serving the Chinese and other local markets. Pfizer also plans to expand its R&D operations in China as it strengthens its biomedical infrastructure throughout the country. It has also been beefing up its sales force and marketing activities over the years. GlaxoSmithKline, which was one of the first companies to establish a significant presence in China, recently announced further agreements with Chinese companies – this time with vaccines makers to locally produce flu and paediatric vaccines to serve the Chinese and Far Eastern markets.

The next battleground for big pharma will be China. Many of these companies are in a rush to invest in research and development in China to take advantage of the low cost of employees and the growth potential of the mainland market.