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"India and China show tremendous economic prospects and increasingly we are seeing greater interdependence"

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-Hu Kun Ping, vice-president, Reed Sinopharm Exhibitions, China

Reed Sinopharm Exhibitions (Reed Sinopharm) is a joint venture between Sinopharm, the largest state-owned pharmaceutical group in China, and Reed Exhibitions. Reed Sinopharm covers the entire supply chain and is dedicated to the medical, pharmaceutical and healthcare industry sectors. Excerpts of an interview with Hu Kun Ping.

Presently what are the market dynamics in the pharmaceutical sector in China?

According to industry publication, Medicine Economic News, China is the hotspot for the global bulk pharmaceutical market with 22 percent world market share, a growth rate exceeding 15 percent with annual sales of approximately $70 billion, and export turnover of USD 600 million. It is the second largest market for active pharmaceutical ingredients (API).

The rising middle class and living standards in China have resulted in an enormous demand for pharmaceutical products. The Economist Intelligence Unit reports that China's total pharmaceutical sales will be doubled to $28.3 billion by 2010. Surging global demand for better quality yet cost-effective pharmaceutical solutions is making foreign direct investors eager to tap into China's extensive labor market and profit from this bullish economy.

According to the latest report released by the China Pharmaceutical Industry Association (CPIA), almost half of the top 100 drug-manufacturing enterprises (based on sales figures) are foreign-invested entities or Chinese-foreign joint venture organizations. Of the top 10, seven companies are foreign-invested enterprises while only three are domestic manufacturers. This clearly demonstrates the fact that international players are taking up a bigger piece of the Chinese pharmaceutical market pie.

What are the plus points of the Chinese pharmaceutical market?

China offers international pharmaceutical conglomerates a rich plethora of cost-effective and quality raw materials, and an opportunity to leverage the country's rapidly growing biotechnology, natural ingredients, CRO (Clinical Research Organization), and outsourcing sectors. Because China boasts strong manufacturing capabilities and a highly-skilled workforce, an increasing number of multinationals are setting up research and development centers in the region. In addition, the market outlook for formulations exports is positive and will be one of the major trends shaping this industry.

Please share what you feel about India and China's emerging pharmaceutical markets.

Both India and China show tremendous economic prospects and increasingly, we are seeing greater interdependence. CPIA reports that India is the largest importer of Chinese pharmaceutical products. Demand from India continues to grow rapidly, up by 61.2 percent in the first three quarters of 2007. Chinese exports to India have exceeded those of the US (which is ranked second) by more than $100 million. To strengthen bilateral exchanges, Reed Sinopharm for example, has held two editions of the Sino-Indian Pharmaceutical Co-operation Forum at API China. Hot topics addressed at the conference included collaborative efforts between the two regions for meeting global API demand, and creating successful business models for foreign exporters.

Can you throw some light on the pharmaceutical R&D scenario in China? Can lack of regulatory rules and IPR pose a major problem?

The growth of multinationals has helped fuel China's economy and raised the bar for manufacturing quality. The Chinese government has taken active steps to calibrate domestic research and development capabilities with world-class standards. Starting 1, July 2004, China's State Food and Drug Administration (SFDA) imposed a regulation for all pharmaceutical manufacturers to observe Good Manufacturing Practices (GMPs). As a result, companies that could not meet these criteria were eliminated, while reputable large organizations saw their production capacity increase dramatically. In addition, three national laws were passed to protect intellectual property rights in China, and the country has strengthened its legal framework to be consistent with the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The State Council of the People's Republic of China announced in their 11th Five-Year plans that they will be devoting significant amount of resources into developing frontier technologies, particularly in sectors such as biology and advanced manufacturing technology. By 2020, investments in research and development are expected to be 2.5 percent of the country's GDP.

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