

Biotech, pharma have a bright future in China

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As the rapid development of China continues apace, one-of-the-major challenges has been to piece together the country's previously fragmented healthcare system. Whilst regulatory and hospital reform are a part of this, perhaps the biggest driving force for change has been the development of the biotech and pharmaceuticals industry in the country.

The healthcare market in China is set to become the world's third largest by 2013, with spending in 2012 likely to reach \$400 billion. Combined with China's government commitment in the 12th Five-Year Plan to invest \$6.3 billion in the biopharmaceutical sector alone, it is clear that this is an industry on the up.

It is the local promise, size and scale of the market that companies are now really starting to realize. Some of the largest pharma companies are already taking advantage of this, with Pfizer noting as it began its new operation in Hangzhou that sales of its Viagra in China hit \$80 million and are expected to top \$160 million by 2013.

Put simply, there is a huge demand for medicines and treatments in China. For example, China's 92 million diabetes sufferers are estimated to increase by 40 million by 2030. Lundbeck's China president and GM, Mr Herman Santoni, notes, "Around 100 million people in China currently suffer from pharmaceutically-treatable mental illness and it is estimated that almost 70 percent of patients with serious mental diseases do not receive effective treatment. As such, the Chinese market is of increasing importance."

This is why Lundbeck has opened a factory in Tianjin in order to "fill up the demand gap in China's treatment of Alzheimer's disease market." Lundbeck plans to use its China plant to launch three-to-five new nervous system drugs for the domestic market and projects growth at 20 percent each year.

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Aside from the huge raw market potential, the levels of innovation from both local companies and multinationals bolster China's pharmaceutical market. This is possible because of the role of development zones and the preferential services they offer to companies looking to engage in pioneering research. Development zones allow companies to take advantage of

expert advice, public facilities, financing, academic exchange and much more. In this way, companies have the support they need to push forward with innovations.

China's market also offers multinationals the opportunity to collaborate with local companies. For example, pharmaceutical giant GlaxoSmithKline has formed a drug discovery unit to work with Traditional Chinese Medicine experts in an attempt to develop new and novel products that combine clinical trial methodology and modern drug discovery with TCM products and traditions.

Such innovation is possible in China because of the reduced barriers to clinical trial that are available in China. Whereas clinical trials in China used to be an extremely difficult and lengthy process when compared to US or European procedures, this has changed in recent years as the industry and government have responded to the increasing demands and growth of the market.

Dr Martina Bielefeld Sevigny, VP and GM, PerkinElmer Life Sciences Technology, China, says, "Clinical trials in China are significantly less expensive, require smaller test groups, and are often conducted in shorter time periods in preparation for regulatory approval. As clinical trials represent a major part of costs to develop a new drug, companies can conduct several clinical trials simultaneously, with different candidates or for various indications when working in China."

This doesn't just benefit multinationals though, as local companies are now able to innovate more readily. "Some of the results of this shift are evident in the strategic decisions of regional pharmaceutical operations that are moving from producing generics to conducting drug discovery R&D in China," says Dr Daniel R Marshak, SVP and chief scientific officer, PerkinElmer.

This newfound support for innovation and research will surely pay off in China given the rapidly increasing demands of the population. Not only are better medical care and more effective drugs now expected, but also with China's middle class continually expanding, more people than ever can afford this improved care. China's middle consumer class is estimated to hit 600 million by 2020.

But to fully reap the rewards of this growing market, it is important for companies to understand the ways in which the entire industrial chain can be used to improve growth. For example, Roche Holding has found a way to sell its cancer drugs to millions of Chinese who couldn't otherwise afford them by first selling them insurance.

The world's biggest cancer medicine producer is collaborating with Swiss Re, the world's second-largest re-insurer, and is on track to sell bring in 10 million clients this year, with expected growth of 20 percent in 2013. This shows the potential for growth right across the healthcare value chain in China.

With a combination of China's growing market and the resources and support of the right area, the world's most innovative biotech and pharmaceutical companies have a bright future in China.