

China's Pharmaceutical Actuality and Future

Only two decades ago, China was a poor agricultural country; now it becomes the third-largest economy in the world, with a GDP of more than , 108 billion in 2006. Experts forecast that by 2020, China will be the world's largest economy.

1, China's pharmaceutical market

The [Chinese pharmaceutical market](#) has shown impressive growth in recent years, in tandem with the country's rapid economic expansion. In the past twenty years, China's pharmaceutical market has an averaging between 18 - 20% growth, significantly higher than US and European growth during that period (7 - 9%). The total pharmaceutical market is expected to grow to .7 billion by the year 2005, to become the world's largest pharmaceutical market by 2020.

2, China's pharmaceutical industry

China has a large domestic pharmaceutical industry, providing 80% of China's pharmaceutical consumption. In 1995, approximately 3,000 domestic state pharmaceutical enterprises produced a total output of billion, of which more than billion was exported, according to the State Pharmaceutical Administration of China (SPAC). The Chinese pharmaceutical industry has increased in value with an annual average growth rate of 16.72% over the last few decades.

However, the industry is still small-scale, with a scattered geographical layout, duplicated production processes, and outdated manufacturing technology and management structure. The Chinese pharmaceutical industry also has a lower market concentration and weak international trading competitiveness, coupled with a lack of patented pharmaceuticals developed in-house.

As China joins the World Trade Organization (WTO), it needs to integrate more completely into the global economy. The international competition will place an intense pressure on the Chinese pharmaceutical industry and further open the door to a lucrative market for non-Chinese companies, especially for pharmaceutical producers and manufacturers. Accession to the WTO binds China by fundamental WTO principles, such as improved transparency and the strengthening of commercial legal procedures. China's WTO commitments include the tightening of rules on intellectual property, tariff concessions, and market access of non-Chinese service suppliers engaging in the distribution of pharmaceuticals. All such moves create additional business opportunities for non-Chinese pharmaceutical companies in China, and in turn, place an intense pressure on the Chinese pharmaceutical industry.

So, over the past few years, Chinese pharmaceutical firms have been merging to improve economies of scale, concentrate resources, and increase competitiveness through vertical integration. Many large, state-owned pharmaceutical companies are also transforming their ownership structures into joint ventures or public companies to become more efficient. According to the SPAC, China aims to become the world's leading producer of pharmaceuticals and medical devices and instruments in the first half of this century.

3, China's pharmaceutical foreign trade

In recent years, many Chinese pharmaceutical enterprises take part in the international pharmaceutical market. They not only export patent medicine but also assist their global partners in shortening the cycle and lowering the cost of drug discovery and development by providing cost-effective and efficient outsourcing solutions, for example, pharmaceutical intermediate. Some Chinese pharmaceutical companies even appear in the Nasdaq market successfully, such as WuXi PharmaTech (WX.NYSE) and Simcere Pharmaceutical Group (SCR) etc.

Electronic commerce is introduced to the pharmaceutical enterprises. www.made-in-china.com is one of the most famous B2B website in China. It provides various trade leads including pharmaceutical information among China factory, manufacturers, suppliers, and global buyers.

The pharmaceutical trade shows supply the platform to the leading manufacturers, suppliers and buyers both at home and abroad. Many pharmaceutical companies attend the China International Medical Equipment Fair (CMEF), China International Oral Care Technology & Equipment Exhibition and Shanghai International Medical Equipment and Furnishment Exhibition (IMEFE) and so on. CMEF is Asia Pacific's biggest exhibition serving the entire value chain for the medical devices market. China International Oral Care Technology & Equipment Exhibition is organized by the China Oral Care Industry Association, Exhibition Center of China Light Industry. The Show covers oral care products, raw and auxiliary materials, packaging materials, manufacturing and packaging equipment, oral medical equipment and materials.

4, China's pharmaceutical market trend

First, the price of pharmaceutical products will continue to decrease steadily. In June 2004, the price of 400 antibiotics in 24 categories, including penicillin, was reduced by, on average, 35%. The total value affected by this reduction was US million. The central government has been playing a significant role in pharmaceutical price readjustment. According to industry experts, future price reductions will originate from hospital pharmaceutical retail shops.

Secondly, the rural pharmaceutical market will shift significantly. According to Information Times, 80% of counterfeit products are consumed in rural areas. This provides a huge opportunity for pharmaceutical companies to develop the market in rural areas.

Thirdly, China will become the largest pharmaceutical R&D base in the world. In recent years, more and more western pharmaceutical enterprises, such as GSK, Roche, Novo Nordisk, etc, have come to China and set up R&D centers. Twenty world leading pharmaceutical companies have established joint venture manufactories in China. Some have even set up sole propriety manufactories. Currently, amongst the largest 500 overseas enterprises, 14 of them are pharmaceutical companies.

The fourth trend is that foreign enterprises will begin an OTC price war in future years. Based on expert analysis, foreign enterprises have been closely monitoring the expanding OTC market. In September 2003, German Mike Company began its OTC project in China.

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