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The Chinese pharmaceutical market: driving forces and emerging trends

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Abstract

China is becoming a strategic player in the pharmaceutical market, both as a consumer country and as an R&D industrial platform.

The Government has been embracing a large reform in the healthcare system to upgrade the quality and coverage of healthcare assistance of Chinese people. Multiple strategies are promoted, both on the demand and on the offer side. The Twelfth Five-Year Plan for Health Sector Development is a milestone in this process. A key issue in the strategy towards a new healthcare system is related to the transformation of the Chinese pharmaceutical industry: the Government is planning to build an innovative system, led by research-based companies, where integration of local firms with international companies is encouraged and where a new - strong - role for Traditional Chinese Medicine is promoted.

Foreign investments are supported, especially in high-end pharmaceutical products through the New Catalogue of Investments, but at the same time, the development of national global players is encouraged.

To grasp knowledge, know how and best practices, China is attracting not only the manufacturing and marketing division of foreign firms, but it is also promoting the transfer in China of some of their critical business operations, core technologies and research development.

Despite the dramatic growth of the market, and the expected profitability deriving from a booming demand, there are also some evidence of how challenging and risky this market could become for foreign investors. Foreign firms must cope with some persistent problems in China's healthcare system: under-compensated doctors, insufficient reimbursement to hospital administrators, unclear regulation for drug discovery and clinical trials, high level of bribery.

The aim of the paper is to give a general overview of the current characteristics of the Chinese pharmaceutical market, of its main trends, as well as of main changes and expected evolution of the demand and of the supply in the industry. We also look at the balance between foreign and national firms' position in the market, in term of Western interests for Chinese traditional knowledge embedded in Traditional Chinese Medicine (TCM) as well. We try to build a general picture of the industry and of main competitors.