

DOING BUSINESS IN CHINA

NEW PHARMA INTERVIEWED SOME KEY PLAYERS IN THE COUNTRY TO GIVE YOU A FOOT UP WHEN CONSIDERING DOING BUSINESS IN CHINA.

Karen K. Wong

“Doing business in Shanghai tends to be more efficient than other cities in China.”

Biggest challenges of doing business in China

There is a myth that large market means large gain from doing business in China - quite to the contrary. China is a big market and for any major industry, you can find a market size as large as the US population. However, the China market particularly in the pharmaceutical space is highly fragmented. For a new comer, identifying a viable niche to gain a competitive edge over thousands of companies alike along the food chain can be the biggest challenge.

Legal patent situations in China

After joining the World Trade Organization in 2010, China is transforming from an “imitator” to an “innovator”. The central government and local government have provided a variety of incentives to foster innovation and discovery. One obvious indication of such trend is that patent filing, in terms of application numbers, has topped the US and Japan. However, most of the inventors and companies still lack a clear vision as to how to monetize their IP at the market place, and particularly in the global market. In addition, in the generics drug space, there is the misconception that generics companies

need not pay attention to any third-party patents when a proprietary drug is no longer protected by the brand company’s patents. It is often the case that other generics companies have filed and obtained patents covering a specific formulation or method of treatment of an “off-patent” drug. Therefore, a freedom-to-operate analysis with respect to a particular generic drug is necessary certainly before the launch and even at the research and development stage.

Chinese companies likely to succeed outside of China

Chinese companies having their roots deeply entrenched in China and yet their branches extending to the US, Europe and other major markets are likely to succeed outside of China. These companies know how to leverage the talents and resources China provides, and also how to rapidly transform their technologies to products that are in great demand in China or elsewhere. The management of this type of company is typically made of members who have been trained overseas but have maintained a strong business network in China.

Shanghai as a city to do business

Shanghai, an international cosmopolitan city, draws the talents around the world. The public transportation in Shanghai is very advanced. Doing business in Shanghai tends to be more efficient than other cities in China.



Chuanchuan Zhang

General Manager, CoSci Med-Tech Co

“[China will become] the center of the global pharmaceutical industry, chemical drugs and biological drug innovation.”

How will China become the most powerful country in the pharmaceutical industry?

Support and guidance of national policy: a good strategic plan, formulated by the state enterprises financial support for innovation and the main program, to encourage continuous innovation, encourage enterprises to actively participate in international competition.

Business: In accordance with prevailing international standards, the GXP system, nurturing the private pharmaceutical companies to participate in global competition. Continuous innovation, and establish a good model of innovation and business models.

Market: the establishment of China’s health care reform and universal health insurance system and continuous improvement, China will become the largest market potential. Also new opportunities for the development of Chinese enterprises. Fully competitive with foreign markets, but also prompted the Chinese market to build a better internationalization system.

What is the biggest challenge for Chinese companies in the generic industry?

Encourage the development and production and use of high-quality drug policy formulation, production enterprises of great significance: national drug pricing policy, national drug bidding and procurement policy, drug registration regulations with international standards merged to develop the matching with the development of the industry, co-ordination between national departments, unified policy.

Change in the mode of enterprise innovation, create more business models to adapt to global development.

How do you think the China pharmaceutical industry will have changed in 5 years?

- Within five years the market will maintain a growth rate of 20%.
- Will become the world’s most important aspects of the generic drug based pharmaceutical consumer markets.
- Will become a domestic and foreign enterprises fully competitive market.
- Global pharmaceutical industry, chemical drugs and biological drug manufacturing center.
- Become the center of the global pharmaceutical industry, chemical drugs and biological drug innovation.

What strategy is most likely for Chinese companies to use?

- Building bigger factories to reduce prices
- Developing more products than anyone else
- Having fully integrated manufacturing
- Controlling both manufacturing and marketing of finished products

I believe more will implement this strategy: the integration of global innovation and human resources, the introduction and configuration, the establishment of the innovation system.

Do you like Shanghai as a city? Why? Why not?

Like it. Shanghai is a high degree of internationalization city.

Which city is your favorite city for doing business in China?

Beijing. Beijing is the capital, is the most concentrated area of human resources and information.

Beijing attach importance to the development of biomedical innovation and high-end services.

FOR BUSINESS PURPOSES, IT IS TRADITIONALLY ACCEPTABLE TO CALL A CHINESE PERSON BY THE SURNAME, TOGETHER WITH A TITLE, SUCH AS “DIRECTOR WANG” OR “CHAIRMAN LI.” AVOID USING SOMEONE’S GIVEN NAME UNLESS YOU HAVE KNOWN HIM OR HER FOR A LONG PERIOD OF TIME.

HANDSHAKES ARE POPULAR IN CHINA, HOWEVER, WAIT FOR YOUR CHINESE COUNTERPART TO INITIATE THE GESTURE. THE CHINESE WILL SOMETIMES NOD AS AN INITIAL GREETING. BOWING IS SELDOM USED EXCEPT IN CEREMONIES. VISIT TO SCHOOL, THEATER, OR OTHER WORKPLACE IS LIKELY TO BE GREETED WITH APPLAUSE AS A SIGN OF WELCOME. IN TURN, YOU SHOULD RESPOND BY APPLAUDING BACK.

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Vick Chung

*Director, Global Business Cooperation,
YungShin Pharm*

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How will China become the most powerful country in the pharmaceutical industry?

By utilizing the unique edge of fundamental resources to optimize vertical integration, since China is quite resourceful in terms of plantation and mine, which are essential for chemical industry development. After all, cost advantage shall be most crucial as far as market sustainability is concerned.

What is the biggest challenge for Chinese companies in the generic industry?

The Issues of Melamine misuse and synthetic Heparin have sabotaged their image, these brought up global resistance against MIC products.

How do you think the China pharmaceutical industry will have changed in 5 years?

Chinese pharma. will rapidly expand and evolve since their local market is booming, for securing better local reimbursed price, they will need to differentiate their products by registering in EU or US. This will also boost their penetration in these regulated markets. Jiansu Henrui has just received the 1st injectable ANDA approval in US, we can foresee more to come.

What strategy is most likely for Chinese companies to use?

- Building bigger factories to reduce prices
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- Having fully integrated manufacturing
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Well, I think they apply all of the above to their current business development, I've personally seen some factories maintaining several large buildings for merely producing one single product.

Do you like Shanghai as a city? Why? Why not?

Certainly, I guess nobody would have disagreed Shanghai as an extremely charming city, being the economic center of China, it has established infrastructure and network, not to mention some big player of API and pharma. are based in Jiansu province, it's a perfect city for both business meetings and leisure.

What is your favorite city for business in China?

Shanghai for business, while I like Chengdu and Kunming more for vacation, since they are more relaxing environment with amazing scenery and culture.



DO NOT PUT YOUR HANDS IN YOUR MOUTH, AS IT IS
CONSIDERED VULGAR.

CONSEQUENTLY, WHEN IN PUBLIC, AVOID BITING YOUR NAILS, REMOVING FOOD
FROM YOUR TEETH, AND SIMILAR PRACTICES.



IT IS APPROPRIATE TO BRING A GIFT, PARTICULARLY SOMETHING REPRESENTATIVE OF YOUR TOWN OR REGION, TO A BUSINESS MEETING OR SOCIAL EVENT. A GIFT SHOULD ALWAYS BE WRAPPED, BUT AVOID PLAIN BLACK OR WHITE PAPER BECAUSE THESE ARE THE COLORS OF MOURNING.