

Interview with Zheng Hong, Chairman, China Pharmaceutical Industry Association (CPIA)

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You have a very long history in the Chinese pharmaceutical industry, first in the joint venture company Xian-Janssen and then in the China National Pharmaceutical Group. Could you highlight the main evolutions of the Chinese pharmaceutical industry through these fast-changing times?

It is indeed true that we have undergone tremendous changes during China's reform and opening up policy. The Chinese pharmaceutical industry has made great progress over the past 30 years, particularly in terms of new drug R&D, and many multinational companies have established their R&D centers in the country. Although only 300 million Chinese people have benefited from medical insurance in the past, thanks to the healthcare reform plan gradually 90% of the 1.3 billion population will be covered by different kinds of medical insurance services. The Chinese government will invest extensively at the grass-root levels particularly in rural areas, but also in urban communities. As a result, demand for medicines will increase significantly. The top 38 or 40 multinational pharmaceutical companies all have a presence in China's market, and their medicines show many positive effects from a clinical perspective. Besides, their marketing mode suits China's market-oriented economy, thus helping the Chinese pharmaceutical industry make the transition to a socialist market economy. During the course of mutual projects between local and multinational players, we have formed very good partnerships. Multinational companies have joined the CPIA and, in the same way, we have maintained a good partnership with the foreigner-established RDPAC. As for the market figures, in 2008 sales of APIs and preparations (domestic and overseas) totaled over 800 billion yuan. This includes chemical preparations, traditional

Chinese medicine (CTM) and medical equipment. In terms of medicines only, the sales figure comes in at over 400 billion yuan.

What are the main aspects of the healthcare reform plan and how do you expect this to impact the pharmaceutical industry?

The State Council has recently announced the healthcare reform plan, which includes five main points to be implemented in the following three years. Firstly, China will accelerate the construction of a basic healthcare insurance system for all its people. Secondly, an essential medicine system will also be established. Thirdly, the healthcare system will be enhanced in terms of its infrastructure. Fourthly, the plan will promote the equality within the basic public health services. Finally, it will propel the reform of the public hospital network. The government will provide 850 billion yuan in order to carry out this plan, something never seen before. This will therefore offer the whole pharmaceutical industry, and indeed the healthcare sector at all levels, a larger market and many new opportunities.

What are the CPIA's current priorities and issues on the agenda?

The CPIA and its member pharmaceutical companies focus on two main aspects. The first is ensuring that safety is a top priority at all stages of the process, including R&D, GMP, management, etc. It is our obligation to guarantee the safety and effectiveness of our medicines to the people taking them. As everyone knows, the Chinese government has been paying a lot of attention to the issue of food and drug safety and acting strongly in this area. China went through some food and drug safety problems two years ago, but we learned the lessons and took it as an opportunity to educate the whole industry. Both the government and the CPIA have strengthened our supervision in this fundamental aspect. The second key goal of the association is to enhance innovation within the industry, in terms of developing new medicines and technologies so that we may offer people higher quality products. Although the government has already supported us a lot in this regard, the CPIA is continuously looking at ways of obtaining preferential policies for our industry. For example, we are interested in getting more support and incentives for those companies focusing on innovative drugs and also those which are investing in environmentally friendly systems.

To what extent is the Chinese pharmaceutical industry still dominated by state owned enterprises?

Over the last 30 years, the pharmaceutical industry was controlled for the most part by the Chinese government at different levels, from central to local. These were the so-called 100% state owned enterprises (SOE). However, throughout China's opening up process the pharmaceutical industry, like many others, has gone through a transformation in order to make it more competitive. One of these changes is in terms of the ownership, which has become much more diversified. Although

there are still many SOE's, there are some joint ventures between local and multinational companies, as well as a large number of 'wholly owned foreign enterprises' (WOFE). In addition, now there are the so-called private companies, often set up by the 'sea turtles' or other personalities. Dozens of these private domestic pharmaceutical companies are listed on the main stock exchanges in China (Hong Kong, Shanghai, Shenzhen), but also abroad in places like the United States and Singapore. There are few restrictions for those wishing to invest in China's pharmaceutical sector, as long as they respect the government regulations and obtain the necessary certifications.

What is your final message to the readers of Pharmaceutical Executive?

The CPIA and the pharmaceutical enterprises that make it up have great confidence in the government policies and in its healthcare reform plan. We have no doubt that the government will lead this reform successfully and remain willing to hear the voice of our association and companies.

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