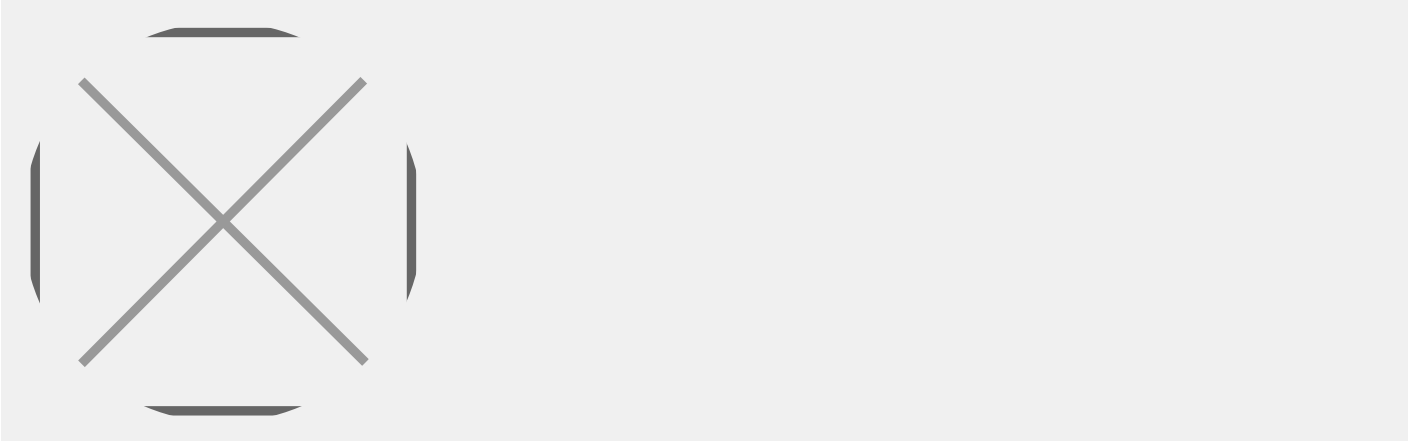
Interview with Eric Bouteiller, President, Beaufour IPSEN China



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Your background before joining Beaufour Ipsen is quite unique among country managers of pharmaceutical companies: working many years in academia and focused very much on Asian studies. What brought you to the pharmaceutical industry?

I have a very long personal history with China, starting back in my student days. I was learning the language by myself and eventually won a scholarship to go study in Taiwan. I spent three years there and that is where I really learned to speak Chinese. After that, I joined one of the leading business schools in Europe, to become Deputy Director of its research centre on Asia.
After several years there, one of my business contacts was the International Director at Ipsen and he asked me to join them and see some 'real life'. During my time in academia I had written plenty of papers, books, etc. about East Asia, but I thought it would be good to "go on the field", so I decided that it was time to gain another perspective on life and accepted the job offer.

Based on the insights that your knowledge of Chinese culture, language and history give you, how would you describe the recent evolution of the healthcare and pharmaceutical sectors in China?

Although I am not a medical doctor – but rather a PhD in organisational sociology – my background does allow me to have a long-term view and understanding of China. Everything has evolved so much since I was here as a student in 1986 and this includes of course the healthcare sector. For example, In the 1980s doctors played a very special role in Chinese society, but since they did not have much access to pharmaceutical products, their knowledge of what existed outside of China

was very limited.
Now, especially in the big cities and large hospitals, you have doctors on the same level as European or American specialists. The changes started in 1980s, but it was really throughout the 1990s when things evolved in a big way. In these past 15 years, China has seen a tremendous rise in its GDP and other economic and social indicators. With regard to healthcare, it is the qualitative changes that are particularly striking to me.
In pharmaceutical terms, China was an under-supplied market. For example, Ipsen's number one selling product was an anti-diarrhoetic, which was a product that saved a lot of lives when the product was first introduced into the country back in 1992. There was no medicine to stop severe diarrhoea of children, and many were dying as a result of this. Today, we are in a market where doctors have plenty of therapeutic choices. Access to knowledge, the internet, and products supply has completely changed over 15 years.

There has indeed been a big evolution, but China is still very far away from the situation that we see in Western Europe or the United States. What are the main issues from the perspective of research-based companies such as Ipsen?

Today, from a pharmaceutical point of view, access to medicines is still an issue in China. One of the main reasons for this is the regulatory system. When a pharmaceutical product has been developed and registered in Europe or the US, we have to go through a very long process before being able to provide it on the Chinese market. This has an impact in terms of the business, but I think the real issue is for the patients. It takes an average of four to five years to go through the registration and approval process. This quite simply means that a patient in need of a new product cannot have it, even though it exists and is available outside of China. So, although there has been a tremendous change, China is still lacking quick access to innovative drugs.Intellectual property protection is an issue but has improved recently.The main concern for the industry is related more to the overall structure of the market. As I said, the system is very heavily regulated with long waiting times for registration of new drugs. After this period, you only get a manufacturing licence or an import licence. From a regulatory point of view, there are two separate markets. Most countries have only a marketing authorization, aligning manufacturing & importing processes. China still has some way to go, but I am fully confident it will improve.

As one of the most active figures in the European Union & China Chamber of Commerce (EUCCC) in the pharmaceuticals area, what can you say about your activities and interaction with Chinese authorities?

It is a very dynamic relationship. It is my fifth year of engagement with the EUCCC and we have seen a lot of changes happen already. The association, as well as Ipsen and I personally, try to engage as much as possible, and to discuss issues and exchange ideas. We feel we have a duty to help shape the environment. I understand the history and the reasons why China has this

undeveloped part of its pharmaceutical system. We're not trying to impose the European model on China, it is really about sharing experience and carrying out some joint programs with the government for everyone's benefit.

What is your view on the recent announcements made by the government giving further details about the healthcare reform plans, and what kind of an impact do you believe this major transformation will have on multinational companies in China?

First of all, though it is true that I work for a European company in China, I want to have a "local touch". We try to have a Chinese perspective as much as possible in terms of people, organisation, and synchronisation with local issues. Now, China has given a goal to the healthcare system to cover everybody, which is fantastic. Today that is a huge challenge, because there are many people that are outside of the system: rural areas and the migrant workers for example.
What is also interesting about this new system is the political change that has taken place: the public nature of the healthcare system has been emphasised. In the 1980s, everything was governmentally controlled and supplied.
What is very important in this most recent round of healthcare reforms is that the Chinese authorities at the highest level have realised that healthcare should not be a free wheel; it needs huge involvement from the authorities. This holds true definitely for regulation, but even for supply, especially in the countryside. With the latest healthcare reform plan, we have a better balance for the first time between the private and public parts of the system. There is a will to strengthen the public role of the system. There are a huge number of new hospitals being built; the government clearly wants to upgrade and enlarge healthcare services. From a pharmaceutical company perspective, we can only applaud and welcome this move.

To what extent do you believe that the healthcare reform plan has been elaborated in a way that the majority of benefits will be for domestic generics and TCM companies?

We can say that the new opportunities are organised by the authorities for the benefit of local companies, because most of them are doing generics or TCM. Coming from a country where we are very familiar with industrial policies, we can understand that China has an industrial plan aimed at boosting the local industry. It may eventually be detrimental for some companies making certain products, including foreign-invested enterprises, but I think that the authorities want to make these new rules in a very balanced way. What is at stake, is not just providing coverage to more people in rural areas, but also to develop a more innovative and more knowledge-driven industry. This is where I think the balance will come, in order to make sure that both aspects are taken care of.
One key problem that persists today is in terms of pricing, hurting both international and Chinese companies that invest in innovation. After completing a long and expensive science-based research process, the kind of investment that we make at Ipsen and other companies, the product should come with a higher price in order to obtain a return on the investment made. This basic

concept today is not operational in the current system, but it is important if China wants to develop an innovative drug industry, it will not only have to further strengthen its intellectual property protection but also to improve the remuneration system.

Turning to Ipsen, what are the main highlights of the company's presence in China and how important is this market from a global perspective for the Group?

Ipsen in China didn't wait for the reforms to start. We were among the first pharmaceutical companies to establish ourselves in China, back in 1992. We started building a state-of-the-art factory here in 1997 and have been manufacturing since 2000. For Ipsen, the challenge is no longer in the entry into the market. It is to cover more territories and get access to tier 3 cities.
A mid-sized, specialized company like Ipsen does not wish to compete in many areas with other companies: our strategy is very targeted. We have 4 specific areas we focus on worldwide in terms of R&D and commercial development. In China we have developed one of these targeted areas, we are in the process of a second one, and we have developed a third one, but we are not going to extend our activities beyond a fourth or fifth speciality, in order to continue this very focused approach.
China is already a very significant country for the Ipsen Group from a sales and manufacturing point of view, and increasingly on the medical side. These days, we are working out how to involve more China experts and patients in our development and discovery projects, and are looking into different ways to do this, based on partnerships rather than building a brick and mortar R&D centre in China.

You have always been interested in China and this part of the world, now you are leading a dynamic pharmaceutical company here. What is it about your daily work that motivates you the most?

Learning. I love to learn, to read, to talk with people, and also I love to give people opportunity to learn. When I find something that is interesting within our organisation, to develop a manager, a trainee, to help people develop themselves more, I find I am the happiest.

One of the projects I am currently helping to develop is called MRC (the Medical Representative Certification project) within our industry association, RDPAC. The target of this project is to certify all the medical representatives of the pharmaceutical companies. In 2 years time we have created a concept, with operational tools, in order to enable all companies to process and train all these people. End of 2008, we reached 18,000 MR trained! This is something quite unique due to China's scale and current growth dynamics. That's part of what motivates me, where we can undertake such massive projects that are going to make a huge difference for our industry and the Chinese patient!.

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