

India vs China: outsource what to where

By Nick Taylor, 07-Jul-2009

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India and China share many similarities as outsourcing locations but there are also significant differences that are important to understand before making a commitment, according to a report.

Both countries have large populations and low wages but the report by *JZMed* highlights the cultural and industrial differences, an understanding of which is beneficial to pharmas and biotechs looking to outsource activities.

For instance, Chinese contract research organisations (CRO) tend to have stronger preclinical offerings whereas their Indian counterparts specialise in clinical trials.

The report states that both countries have similar discovery services but in the field of target identification and validation, as well as related areas in genomics and proteomics, China has a superior offering.

In contrast, India has stronger capabilities in small molecule R&D. The differences between the countries expertise with small molecules and biologics runs throughout the report, with China's superiority in biotech being noted in both R&D and manufacturing.

However, the report acknowledges that India is stronger in the formulation, manufacture and marketing of generic drugs. Given this expertise in generics the imminent growth in follow-on biologics could be the shift that causes India's biotech sector to improve.

The report also notes that process R&D and scale-up synthesis capabilities are similar in both countries.

Given the strengths and weaknesses of each market, deals such as the alliance between India-based GVK Biosciences and China-based Excel may be a good way to take advantage of each countries' specialisations.

Outsourcing culture

Although the report believes China has better industrial infrastructure than India there are cultural issues that put it at a disadvantage.

Indian companies share a business operation style and philosophy with Western firms, according to the report, and also have a better understanding of regulations in established markets than their Chinese counterparts.

This may have played a role in the differing approaches Western businesses have taken to their Indian and Chinese operations. The report notes that in India major pharmas tend to form joint ventures, sharing risks to co-develop drug candidates.

However, very few of them have established a large, permanent R&D or manufacturing facilities, according to the report. In contrast, hundreds of millions of dollars have been pumped into China by western pharmas to build large, wholly-owned facilities for in-house research.

Who will be the biggest?

The report values India's pharma outsourcing sector at \$1.77bn (€1.27bn), putting it slightly ahead of China that currently stands at \$1.42bn. Each country has about a 2 per cent share of the global market.

Despite India's current advantage the report predicts that China is very likely to overtake India after 2010. This assertion is based upon China having fewer growth resisters.

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