Outsourcing to Asia transitioning?

By Emilie Reymond

09/08/2007 - **Big pharma's interest in outsourcing to Asia is shifting from drug manufacturing to clinical trials, new research reveals.**

There is a trend towards a changed business model in the pharma sector and major pharmaceutical companies are now starting to focus their attention on outsourcing more clinical research rather than manufacturing operations, according to a new report from Pricewaterhouse Coopers.

The research, based on interviews with 185 senior pharmaceutical executives, from both global and Asian companies, found that 72 per cent of multinational companies had considered outsourcing clinical trials to Asia to "some" or "great" extend.

In contrast the percentage of companies considering outsourcing manufacturing operations to the region was much lower; 39 per cent of companies surveyed said they are currently thinking about hiring an Asian services provider for the manufacturing of small molecules while only 20 per cent of firms are considering it to make their protein-based products.

"So far much of the focus has been on outsourcing drug manufacturing but increasingly, companies are turning their attention to R&D and clinical trials," the report said.

Currently, the two destinations of choice in the Asia-pacific region to outsource clinical trials are China and India.

In 2005, India attracted around $120m (€87m) of the global contract research market, while China's share is believed to be about a quarter of this, according to an Ernst & Young report.

The PricewaterhouseCoopers report suggests that the triggers of growth in Indian clinical trial activity by global companies were first the country's effort to be compliant with international intellectual property (IP) laws two years ago, but also India's recent resolution to recognise product patents.

This added to government taxation incentives have boosted R&D in India and in particular has enabled the contract research organisation (CRO) market to flourish, the report said.

Furthermore, also competing in the outsourcing race is China. Big pharma firms are fast investing and building their businesses in China attracted by a highly skilled, low-cost workforce and the vast potential offered by the Chinese market. In addition, clinical trials conducted in China provide access to a large population offering a potentially huge pool of patients - a major attractive point for drug makers.

Both India and China have taken advantage of this boom in the clinical trial arena and are making sure it is not going to be just a short-term hype.

Both countries are making efforts to be more transparent in terms of the conduction of clinical trials and both have recently joined the World Health Organisation's (WHO) clinical registry platform which now includes trial registers from China and India.

The move is significant as it allows policymakers and scientists to track local research activities and improve the quality of research. In addition, the two countries now meet global standards for transparency.

Interestingly, other bigger clinical trial players such as Germany and Brazil are yet to take such step and are currently in discussions with the WHO about joining the clinical trial platform.

The Chinese clinical trial register was established in 2005, while the Indian version was announced last month and built to meet WHO's reporting requirements, the organisation said.

"The addition of these two clinical trial registers is a milestone in a growing international movement for more transparency and accountability in research involving people," said WHO Director-General Dr Margaret Chan.

"This development will contribute to improving the ethical conduct of and public trust in clinical trials, which are vital for testing new life-saving treatments."

Meanwhile, for companies who have effectively outsourced some of their operations to a external firm, it seems that the attraction the Asian market represents still lies in manufacturing and almost 40 per cent of companies that have outsourced said the main reason triggering their decision was low cost manufacturing.

Nonetheless, according to the PricewaterhouseCoopers survey there is still a long way to go as a majority of big pharma think the industry is failing *"to fully grasp the potential for outsourcing"* and are *"missing opportunities".*

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