China Pharma: From Market Opportunity to Innovation Engine

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For multinational pharmaceutical companies, China has traditionally been a market that could not be ignored. Twenty-five years ago, the opportunity was relatively small and many global pharmaceutical companies had limited commercial presence. As China's healthcare system expanded, incomes increased and access to modern medicines improved, the country became an increasingly important growth market. China is now the world's second-largest pharmaceutical market, although the exact market size varies depending on whether hospital, retail and traditional medicines are included. On a prescription medicine basis, the market is roughly 15% of the size of the US market.

The strategic equation has changed considerably since then. China remains an important market for innovative medicines, but the economics of commercialisation have become substantially more challenging. The government has pursued healthcare reform with a clear objective of improving access while containing expenditure. National reimbursement negotiations, volume-based procurement, generic substitution and tighter control of hospital purchasing have

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progressively reduced prices and compressed the returns available from many products.

At the same time, a second and potentially more consequential transformation has taken place. China has developed from a market dominated by generic manufacturers and "me-too" products into one of the world's most important sources of pharmaceutical innovation. Chinese companies are now producing differentiated "me-better" therapies and increasingly first-in-class or best-in-class assets, while developing them at speed and at comparatively low cost. Global pharmaceutical companies are consequently looking to China not only as a market for their products, but increasingly as a source of products for their global pipelines.

This creates a new strategic reality for multinational pharma. China is simultaneously becoming a harder market in which to make money and a more attractive ecosystem from which to source innovation. Companies that continue to manage China primarily as a conventional commercial market risk missing this shift.

Exhibit 1: China's pharma journey has moved through four distinct phases

Period	China pharma landscape	Strategic implication for MNCs
~2000–2010	Small but rapidly developing market; local industry dominated by generics and manufacturing	Establish presence and build access
~2010–2020	China becomes a major growth market; reimbursement expands and innovative medicines gain access	Invest in commercial scale and local capabilities
~2020–2025	Pricing reform, NRDL negotiations and VBP materially change market economics	Optimise portfolio, commercial model and cost base
2025 onward	Domestic innovation becomes globally competitive; China increasingly a source of assets and R&D	Manage China selectively while building "China for global" capabilities

The evolution is visible in the behaviour of multinational companies themselves. As pricing and competitive pressure have increased, several global pharmaceutical companies have transferred the commercialisation of mature products to local partners and reduced their own sales infrastructure. Pfizer, GSK, Sanofi and Biogen were among companies making such moves around 2023–24, as increasing pricing and competitive pressures was reducing the return on in-house commercial resources for mature products.

The shift does not mean that global pharma companies are abandoning China. Rather, they are becoming more selective about where they deploy capital and organisational resources. AstraZeneca provides an interesting counter-example: China sales reached approximately US$6.6 billion in 2025, up 4% on a constant-currency basis, while the company announced a further US$15 billion investment in China through 2030 spanning R&D, manufacturing and innovation partnerships.

The emerging model is therefore not "China versus the rest of the world", but a more differentiated allocation of resources: fewer resources behind mature products with structurally declining economics, and greater investment behind innovative medicines, local partnerships and access to China's increasingly sophisticated R&D ecosystem.

The economics of selling innovative medicines in China have fundamentally changed

China's healthcare system faces a difficult structural challenge. The country is ageing rapidly, healthcare expectations are increasing and there are substantial disparities in income and healthcare provision between regions and population groups. At the same time, the government needs to manage the financial sustainability of a large public healthcare system.

NRDL inclusion is generally not an alternative to commercial success in China; it is increasingly a prerequisite for achieving it.

This has driven a series of reforms designed to improve affordability and control expenditure. For off-patent medicines, volume-based procurement has introduced highly competitive national and regional purchasing processes. For innovative and patented medicines, the National Reimbursement Drug List (NRDL) has become the central mechanism through which manufacturers exchange price reductions for access to a much larger reimbursed patient population.

The scale of price reductions is substantial. Across the national negotiation process, average reductions have generally been around 60% or more. In 2024, 91 drugs were successfully added through negotiation, with an average reported price reduction of 63%; the corresponding figure for 2023 was 61.7%.

The 2025 NRDL, which took effect on 1 January 2026, added 114 medicines, including 50 Class 1 innovative medicines. The resulting list contains 3,253 medicines. This is an important signal: despite the pressure on drug prices, China continues to expand access to innovative medicines, but increasingly does so through a model that explicitly trades price for volume.

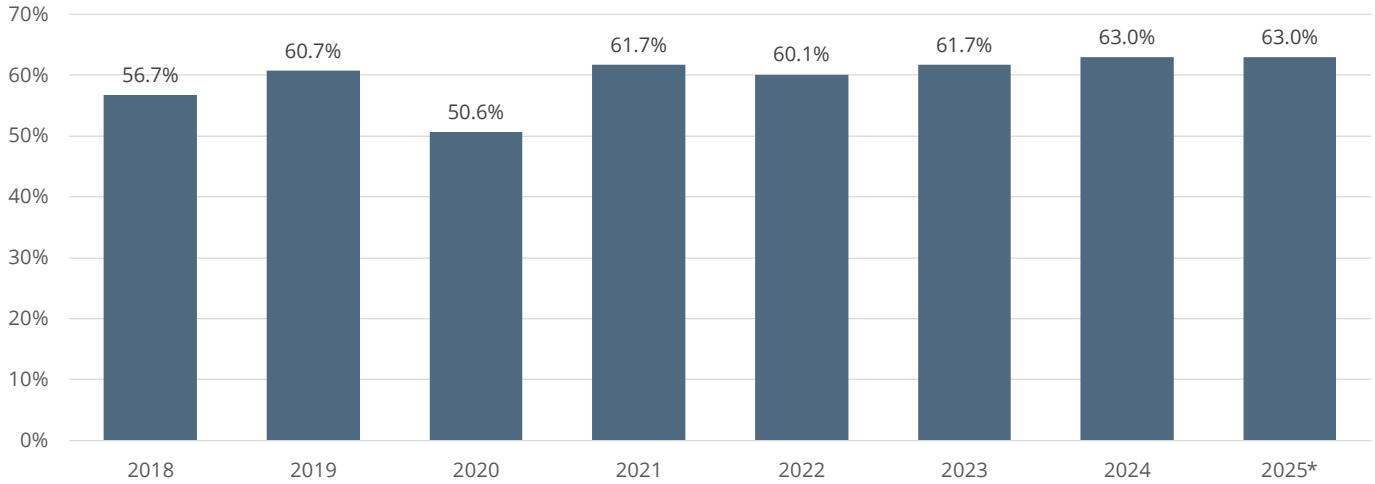
The China business model has become one of rapid volume capture followed by a relatively short period of attractive commercial economics

The implication for manufacturers is subtle but important. NRDL inclusion is generally not an alternative to commercial success in China; it is increasingly a prerequisite for achieving it. Most of the country's important innovative medicines are reimbursed, and inclusion can dramatically increase the addressable patient population. But the manufacturer must accept a significant reduction in unit economics in return.

The resulting business model is therefore one of **r**apid volume capture followed by a relatively short period of attractive commercial economics.

Exhibit 2: NRDL negotiations have consistently exchanged price for access

Average price reduction by NDRL negotiation round



Note: *Industry estimates; NHSA did not disclose an aggregate average reduction for the 2025 round. Historical data from the academic literature and company filings show the consistency of the ~60% price-reduction environment.
Source: PubMed Central (PMC), SCP/Asia Research & Analysis

The commercial logic of this model can be seen in the sales trajectories of medicines following NRDL inclusion. The reimbursement decision can unlock a substantial increase in

patient access and prescribing, particularly for therapies addressing significant unmet need. But the benefit is not unlimited. Competitors can emerge relatively quickly, pricing can be reassessed, and once exclusivity expires the competitive environment can change dramatically.

This creates an important distinction between market access and economic value creation. A drug may achieve very large sales in China while generating a much less attractive profit pool than an equivalent product in the US or other developed markets.

The launch window is shorter than it first appears

The critical objective of any launch plan should be to compress the time between NRDL inclusion and broad commercial adoption

For an innovative drug entering China, the strategic objective should therefore not simply be to obtain regulatory approval or even to secure NRDL inclusion. The objective should be to compress the time between NRDL inclusion and broad commercial adoption.

This is particularly important because the clock effectively starts running before the organisation has built a mature commercial franchise. Once a product is reimbursed, competitors can observe its market performance, assess the patient opportunity and accelerate their own development and commercial preparations.

“NRDL landing” is consequently a critical component of launch planning. Inclusion in the national list does not automatically translate into prescriptions. The product still needs to be available, stocked and reimbursed across relevant hospitals and pharmacies, while physicians need to understand the product, patients need to be diagnosed and treated, and local healthcare institutions need to incorporate the product into their formularies and treatment pathways.

The importance of this final step is illustrated by the implementation of the 2025 NRDL. Within just the first 20 days after the list became effective on 1 January 2026, 99 of the 114 newly added medicines were already being sold through 12,198 designated medical institutions and pharmacies.

This suggests that the post-NRDL period is becoming increasingly execution-intensive. A company that waits until reimbursement has been secured to begin preparing its commercial infrastructure will be at a significant disadvantage.

For a product entering the next NRDL on 1 January 2027, the first six months should therefore be regarded as a critical commercialisation window, rather than simply the first stage of a multi-year launch curve. The objective should be to establish broad institutional access rapidly enough to capture the reimbursement-driven demand before competitors and subsequent price pressure erode the opportunity.

Launch planning is fundamentally different in China

The complexity of launching an innovative medicine in China is often underestimated by headquarters teams

The complexity of launching an innovative medicine in China is often underestimated by headquarters teams that have limited direct experience in the market. A product may have a well-established global commercial model, but China requires a significant amount of local adaptation.

The first requirement is a robust and responsive supply chain. For an imported medicine, this extends well beyond simply shipping finished product into the country. The launch plan needs to incorporate the regulatory and operational requirements associated with importation, customs and port entry, quality control, product release, traceability and serialization, local packaging and labelling requirements, inventory positioning and replenishment.

The supply chain also needs to be designed around the expected shape of demand. A product that experiences rapid post-NRDL uptake can move from relatively modest pre-launch volumes to substantial demand in a short period. Underestimating this ramp can create stock-outs precisely when the commercial organisation is attempting to establish prescribing habits.

The second requirement is a sufficiently scaled commercial organisation. China is not one homogeneous market. Patient populations are distributed across a large number of institutions, with substantial differences in healthcare infrastructure, specialist concentration and access between major metropolitan areas and lower-tier cities.

For chronic conditions, particularly where patients require repeated treatment, the sales model can therefore require significant geographic reach. As an illustrative example, if a product is targeting RMB1.5 billion of annual peak sales and a representative generates RMB2–3 million of annual sales, the required sales force

would be approximately 500–750 representatives. Depending on organisational structure and territory complexity, an additional 75–100 people could be required in frontline management and sales leadership.

These numbers should not be treated as universal benchmarks. The appropriate organisation depends on the disease area, patient concentration, channel mix, physician specialisation, treatment frequency, competitive intensity and the extent to which the local partner already has relevant infrastructure. But they illustrate why a headquarters team can significantly underestimate the scale and speed of the investment required.

Exhibit 3: A successful China launch requires four systems to work simultaneously

Launch system	Critical requirements	Typical failure mode
Regulatory & supply	Import licence, NMPA compliance, port entry, QC/release, serialization, labelling, inventory	Product approved but unavailable
Market access	NRDL, provincial implementation, hospital formularies, pharmacy access, reimbursement processes	Reimbursed nationally but difficult to prescribe locally
Commercial	Sales force, targeting, KOL engagement, training, patient identification	Slow uptake and missed early demand
Partner management	Clear roles, KPIs, data transparency, forecasting, governance and escalation	Misalignment between MNC and local partner

The fourth element is particularly important when commercialisation is outsourced. A local partner can bring significant advantages: established hospital relationships, a sales organisation, knowledge of provincial procurement and reimbursement systems, local regulatory capabilities and the ability to navigate the complexity of China's healthcare environment. But outsourcing execution does not eliminate the need for active management by the global asset owner.

The global company needs to understand what the partner is actually planning, which hospitals are being targeted, how the sales force is being deployed, what access barriers exist and whether the commercial organisation is sufficiently resourced. It also needs

reliable data to distinguish between genuine demand weakness and execution problems.

The most effective model is therefore not "hand the product to the Chinese partner", but retain strategic control while leveraging local execution capabilities.

China's second transformation: from generic manufacturer to innovation engine

The more profound change in Chinese pharma may ultimately be taking place outside the domestic commercial market. For much of the past two decades, China's pharmaceutical industry was associated internationally with generic manufacturing, contract manufacturing and incremental improvements to established therapies. The industry has changed dramatically.

Chinese companies initially built capabilities by reproducing existing products. They subsequently became more sophisticated at improving molecules, formulations and delivery mechanisms. Today, a growing number of companies are developing novel mechanisms, differentiated biologics, antibody-drug conjugates, bispecific antibodies and other complex therapies capable of competing globally.

China is now second only to the US in the number of clinical trials, while its share of global innovative drugs in clinical development has increased sharply

The scale of this transformation is visible in clinical development. China is now second only to the US in the number of clinical trials, while its share of global innovative drugs in clinical development has increased sharply. The Financial Times recently reported, citing McKinsey analysis, that Chinese companies are advancing molecules into clinical trials two to three times faster than Western companies and can enrol patients more quickly and at lower cost. China now accounts for around 30% of innovative drugs in clinical trials, compared with approximately 8% in 2018.

This is not simply a cost story. China's advantage combines a large patient population, a deepening pool of scientific and clinical talent, a dense biotech ecosystem, experienced CROs and CDMOs, highly competitive manufacturing capabilities and increasingly sophisticated regulatory processes.

The result is a development environment in which companies can generate clinical proof-of-concept quickly and then decide whether

to continue development, partner internationally or license the asset.

Exhibit 4: China's innovation model has evolved from imitation to global asset creation

Stage	Dominant model	Competitive advantage
Me too	Generic versions of established drugs	Manufacturing scale and low cost
Me better	Incremental improvements to existing therapies	Development speed and cost
Me first	Novel mechanisms and differentiated therapies	Large talent pool + rapid clinical development
Me best	Globally competitive first-/best-in-class assets	Integrated R&D, clinical, manufacturing and global partnering

The economics of this model have attracted increasing attention from global pharmaceutical companies.

In 2024, Chinese pharmaceutical companies were involved in approximately 68 cross-border out-licensing transactions with an aggregate disclosed value exceeding US$42 billion. By 2025, Deloitte estimates that 174 global licensing deals involved Chinese companies, with total deal value of approximately US$118 billion. Around three-quarters of these deals involved China-originated assets being licensed out for international development and commercialisation.

Other datasets produce different absolute numbers because they use different transaction definitions, but the direction is unmistakable. China has become a significant source of global pharmaceutical assets. Nature reported that Chinese assets accounted for more than US$50 billion of licensing deal value in 2024, around 30% of global licensing value, compared with approximately US$5 billion in 2020.

The momentum has continued into 2026. Chinese innovative-drug out-licensing reportedly reached approximately US$110 billion in the first half of 2026 alone, according to data from China's National Medical Products Administration reported by Reuters.

The numbers should be interpreted cautiously because "deal value" typically includes contingent milestones that may never be paid.

Nevertheless, the trend provides powerful evidence that international pharmaceutical companies increasingly regard China as a source of valuable innovation rather than simply a destination market.

Exhibit 5: China-originated innovation is moving into the centre of global pharma dealmaking

Indicator	Pre-COVID	Post-COVID
Chinese licensing deal value	<US$100m in 2019	>US$50bn in 2024
Chinese companies involved in global licensing deals	50 deals in 2016	174 in 2025
China-originated share of big-pharma licensing activity	Limited	~30% of global value in 2024
Innovative drugs in Chinese clinical development	~8% of global total in 2018	~30% recently
2025 China-originated licensing deal value		~$118bn total China biopharma licensing activity*
H1 2026 China innovative-drug out-licensing		~$110bn reported deal value**

*Deloitte estimate using PharmCube data and its own transaction definition.
**Reported by Reuters citing NMPA/CCTV; deal-value figures include potential milestone payments and are therefore not equivalent to upfront cash received.

The size of individual transactions demonstrates how dramatically perceptions have changed. In 2025, GSK agreed to pay up to US$12.5 billion for rights to a Hengrui asset and associated pipeline candidates, including a US$500 million upfront payment. Pfizer agreed a deal potentially worth US$6.3 billion with 3SBio for ex-China rights to a bispecific antibody, including a US$1.25 billion upfront payment. AstraZeneca also announced a potential US$4.68 billion deal with Harbour BioMed for next-generation multispecific antibodies.

These transactions would have been difficult to imagine when Chinese pharma was primarily perceived as a source of low-cost generic medicines. Importantly, global companies are increasingly accessing China innovation at relatively early stages. BCG's 2026 analysis notes that Chinese assets represented almost half of

licensing activity in 2025 and that valuations of Chinese assets increased by approximately 150% over the previous year.

This creates a new strategic challenge. China is no longer simply a place where global pharma companies can wait for products to mature before deciding whether to participate. The best assets increasingly need to be identified and accessed early, when competition for them is still manageable.

Why China can develop drugs faster and more economically

One of the most important reasons for the attractiveness of Chinese innovation is the development ecosystem surrounding the drug. The country combines a large and increasingly sophisticated patient pool with significant numbers of hospitals capable of conducting clinical research. It also has an extensive CRO and CDMO ecosystem, strong manufacturing capabilities and a large scientific workforce.

These factors allow Chinese companies to progress candidates rapidly from discovery through proof-of-concept. A Chinese company can generate meaningful clinical data relatively quickly, creating an opportunity for a global pharmaceutical company to acquire or license an asset after some of the technical risk has been removed.

China is moving from being primarily a low-cost development location to being a strategic source of global R&D productivity.

This changes the economics of business development. Instead of funding a Western discovery programme from preclinical research through Phase II, a multinational can potentially access a validated Chinese asset after early clinical proof-of-concept and then deploy its own global development, regulatory and commercial capabilities.

There is evidence that the quality of Chinese clinical research is also improving. A 2026 company filing from Hangzhou Tigermed noted that clinical trial data generated in China in 2025 was, for the first time, substantially replicated in US clinical trials, potentially increasing confidence in the use of Chinese clinical research for global development. China is therefore moving from being primarily a low-cost development location to being a strategic source of global R&D productivity.

What this means for a US or European pharma company entering China

The implications for an innovative pharmaceutical company are quite different from those that applied 10 or 15 years ago:

1. The company should be explicit about the role China is expected to play. A product can be commercially attractive in China while still having relatively modest margins, provided the market provides sufficient scale and strategic value. Conversely, a product with attractive global economics may not justify a large standalone China organisation if the addressable patient population is small or the commercial pathway is particularly difficult.
2. China launch planning needs to start substantially earlier than the formal launch date. Regulatory approval, NRDL strategy, supply chain preparation, provincial access, hospital formularies, partner staffing and physician engagement need to be developed as one integrated plan.
3. A local commercial partner should be treated as a strategic extension of the global organisation rather than simply as a distributor. The MNC needs sufficient local expertise to challenge assumptions, monitor execution and make rapid decisions when market conditions change.
4. The company should explicitly plan around the post-NRDL ramp. The objective should be to maximise the rate at which the product converts reimbursement access into prescriptions. Delays in hospital access, inventory, physician education or sales-force deployment can permanently reduce the value captured during the product's most attractive commercial period.
5. Multinational companies should consider whether China can contribute to the global pipeline as well as the China P&L. The rapid emergence of Chinese innovation means that China strategy increasingly needs two dimensions: China-for-China commercialisation and China-for-global innovation sourcing.

Exhibit 6: The China pharma strategy increasingly requires two separate playbooks

	China for China	China for Global
Primary objective	Commercialise medicines in China	Access Chinese innovation for global markets
Key question	How do we maximise value despite pricing pressure?	Which Chinese assets can compete globally?
Critical capabilities	NRDL, market access, local sales, partner management	Scientific scouting, BD, clinical assessment, IP and global development
Timing	Speed from approval, NRDL timing; formulary listing; physician adoption	Early identification and access, often pre-/early clinical
Main risk	Price erosion and local competition	Overpaying for assets or underestimating global development risk
Winning model	Lean, locally capable commercial organisation	Deep China innovation network linked to global R&D

Resource allocation adjustments: less investment where China offers declining returns and more where China provides strategic advantage

The distinction is already visible among leading global players. AstraZeneca, for example, is simultaneously expanding its China commercial business and investing heavily in Chinese R&D and biotech partnerships. In 2025 it announced a US$2.5 billion investment in a new global strategic R&D centre in Beijing; in January 2026 it announced plans to invest US$15 billion in China through 2030.

This is not necessarily a contradiction with the restructuring of mature-product commercial organisations seen at other multinational companies. It reflects a different allocation of resources: less investment where China offers declining returns and more investment where China provides strategic advantage.

The implications for launch planning are practical

For companies preparing to launch an innovative product through a Chinese commercialisation partner, several practical priorities follow:

1. Build the access plan around the NRDL date, not the approval date. Regulatory approval is an essential

milestone, but the commercial value of the product depends on the speed with which reimbursement translates into actual access. Provincial implementation and hospital formulary access need to be treated as core launch activities.

2. Front-load the supply-chain build. Imported products require a chain of regulatory, quality, logistics and inventory processes that cannot be improvised after launch. The supply chain should be stress-tested against the expected post-NRDL demand curve.

3. Size the sales organisation from the patient opportunity backwards. A national sales organisation should not be built simply around the size of the partner's existing team. The right question is how many physicians, hospitals and patients need to be reached to achieve the desired uptake curve.

4. Establish a joint MNC-partner governance model. The global team should retain visibility into launch KPIs, access progress, inventory, sales-force deployment, physician coverage and competitive developments. Clear escalation mechanisms are essential because the commercial window is relatively short.

5. Treat the first six months as a value-capture period. For a product entering the NRDL in January 2026, the period through June 2026 is not simply the beginning of a multi-year launch. It is the period in which the company needs to establish the infrastructure and prescribing momentum required to maximise the opportunity before competitive and pricing pressures intensify.

Conclusion: China is no longer one pharma opportunity

The China pharmaceutical market is entering a more nuanced phase. The first chapter of China's pharma story was about market development: gaining access to a rapidly expanding healthcare system and participating in one of the world's most important growth markets. The second chapter was about pricing and access: the expansion of reimbursement, national negotiations and volume-based procurement fundamentally changed the economics of selling medicines.

The third chapter is now emerging. China has become both a more difficult commercial market and a more attractive innovation ecosystem. For commercial organisations, this means that simply having a China presence is no longer enough. The commercial model needs to be leaner, more locally capable and much more focused on speed of access and execution. The NRDL can unlock substantial patient volume, but the resulting window of attractive economics needs to be actively managed.

For business-development and R&D organisations, the picture is almost the opposite. Chinese biotech companies have developed capabilities that can generate novel medicines quickly and at competitive cost, while the country's clinical and scientific ecosystem increasingly supports global development. The explosion in licensing activity demonstrates that global pharma companies are prepared to pay substantial amounts to access those assets.

China is an ecosystem that global pharma companies need to participate in, selectively, locally and increasingly globally.

The strategic question for multinational pharmaceutical companies is therefore changing from "How big should our China business be?" to something much more fundamental: Where in the China pharmaceutical value chain can we create distinctive value?

For some products, the answer will be a focused local commercial organisation and a strong Chinese partner. For others, it may be an R&D or business-development presence designed to identify and secure globally competitive assets. For the most sophisticated players, it will be both.

China's importance to global pharma is therefore unlikely to diminish. But the nature of that importance is changing. China is moving from being primarily a market to sell into to becoming an ecosystem that global pharmaceutical companies need to participate in, selectively, locally and increasingly globally.

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