

I-6 Character & Problems of Aspirin Industry in China

■ Character & Problems of Aspirin Production

As aspirin is a kind of bulk drugs for analgesic-antipyretics medicines production, viewing the whole bulk-drug and intermediate production industry in China, there are a few special characters:

- Most of the manufacturers are private enterprises, which just have small-scale investment with the invested capital from RMB 1-2 million to 10 million, and it is very flexible for business.
- The distribution of the manufacturers is concentrated and most of them locate around Taizhou in Zhejiang Province and Jintan in Jiangsu Province.
- As the State pays more attention to environmental protection day by day, the manufacturers have to construct much more environment protection facilities. Therefore, the cost and the environment protection pressure both increased.
- The products update very fast. Usually, the profit margin of a product will decrease sharply after it entered the market for 3-5 years, which makes companies research and develop new drugs and improve production process constantly to keep a high profit margin.
- The production process among chemical products, pharmaceutical intermediates and bulk drugs is very similar; and the productive profit of bulk drugs is the highest among them, the pharmaceutical intermediate is lower, the chemical product is the lowest. Therefore, some manufacturers not only produce intermediates, but also produce bulk drugs depending on their own superiority. However, it makes analgesic-antipyretics medicine industry into a confused situation of disorderly competition.
- Basically the profit margin of aspirin is very limited. Producers can survive only through massive manufacturing.
- There has been no newly installed production line of aspirin in recent years. Many domestic companies purchased aspirin facilities from those bankrupt companies and conducted modification according to the GMP requirement. These so-called new companies are in fact the resumed units from the previous ones. The investment for these “new” producers is not large, mainly lying in the purchase capital and the GMP modification. So if there were profit for them, the profit might come from the saving of the initial investment, comparing with the totally new production lines.
- For another hand, besides the high cost and low productive profit in Aspirin production, there are other problems, such as limited categories of aspirin products, unstable quality and so on.

All the situations above happened to the aspirin production as well, although they have a few differences.

■ GMP Modification & Price

- The quote of aspirin from manufacturers with GMP compliance is higher than that of manufacturers without GMP compliance.
- According to the requirement from State Food & Drug Administration (SFDA), any

pharmaceutical factory cannot proceed with the production it passes the GMP certification by July 1st, 2004. So many aspirin producers stopped production in 2004. Usually these producers do not produce salicylic acid. From the other hand, since the early 2004, the price of basic chemicals including salicylic acid roared up. So when those aspirin producers who have passed the GMP certification resumed production, the quotation is higher than others.

As referred above, after the GMP modification to the pharmaceutical producers by the State, many small-scale aspirin production factories were acquired or shut down. In 2006, there are less than 10 manufacturers in China who actually produce aspirin bulk drug.

■ **Anti-Dump Affair & Its Influence on the Export**

Due to the anti-dump case in 2000, the export of aspirin from China to USA was mainly narrowed to Shandong Xinhua and Jilin Pharmaceutical. Because of the heavy 144.02% anti-dump tax in the US market, all other manufacturers have to develop other international markets, such as African and South American markets.

■ **CCM's Comment on Domestic Producers**

The competition between Shandong Xinhua and Jilin Pharmaceutical is not severe as it was imagined. The main reason is that they have different focuses. Shandong Xinhua is focusing on Germany and China, while Jilin Pharmaceutical is focusing on USA.

Shandong Xinhua has a plan to