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Building Health Industries in Emerging Economies: The Case of Santelys Pharmaceutical in Cambodia

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Abstract

Cambodia's pharmaceutical sector, once limited by state ownership and underdeveloped infrastructure, is now witnessing gradual modernization in response to rising healthcare demands and regional integration. This case study examines the transformation of Santelys Pharmaceutical Co., Ltd., formerly Cambodia Pharmaceutical Enterprise, the nation's first pharmaceutical manufacturer, established through Chinese government aid. Following Cambodia's broader economic liberalization, the enterprise underwent privatization and was restructured in 2019 as Santelys, a certified GMP manufacturing facility built to EU PIC/S standards. Drawing on qualitative interview and documentary analysis, the study investigates how the company navigated institutional transition, regulatory adaptation, and quality certification. Key themes include strategic leadership, international collaboration, and mission-driven value creation. The case provides critical insights into pharmaceutical entrepreneurship in resource-constrained contexts and contributes to discourse on industrial upgrading, privatization, and innovation-led growth in emerging health systems.

Keywords: Pharmaceutical, Innovation, Business Strategies, Cambodia, Case

Introduction

Cambodia has made significant progress in economic and public health development over the past decade, driven by post-conflict recovery, liberalization, and global integration (National Institute of Statistics, 2020; World Bank, 2025). Despite a centrally managed public drug distribution system (Sengxeu, 2021), medicine shortages and poor storage conditions remain persistent issues (Department of Drugs and Food in Cambodia, 2012). The pharmaceutical sector has evolved from a state-led model into a more diverse, private-driven ecosystem, supported by rising demand and regulatory reforms. However, challenges remain, including a lack of practical experience among new pharmacy graduates and the prevalence of

counterfeit drugs (Cambodia Investment Review, 2024), underscoring the need for quality local production.

Santelys Pharmaceutical Co., Ltd. is at the forefront of this transformation. Originally established as the Cambodia Pharmaceutical Enterprise, the country's first pharmaceutical plant, supported by the Chinese

government, it was privatized and rebranded in 2019. Since then, the company has restructured to meet international GMP standards. A strategic partnership with Hong Kong's Jacobson Pharma has expanded its production capacity, product range, and compliance with global standards. This case study draws on interviews, internal documents, and policy reviews to examine Santelys' journey from a state-owned entity to a modern pharmaceutical manufacturer.

Literature Review

The pharmaceutical industry plays a crucial role in ensuring public access to affordable medicines, yet innovation remains a challenge, especially in developing countries facing limited resources, weak infrastructure, and regulatory barriers (Akbar & Zaman, 2025). Due to low investment in research, these countries have long relied on producing generics (Rezaie et al., 2012; Vieira et al., 2023). Still, reverse engineering has helped build local expertise, serving as a stepping stone toward more innovative practices by gradually developing the capacity for advanced research (Chataway et al., 2007; Vieira et al., 2023).

Under the TRIPS Agreement, least developed countries (LDCs) like Cambodia are allowed to produce or import generics of patented drugs without violating intellectual property rights. This flexibility has supported the growth of local manufacturers like Santelys, enabling quicker access to essential medicines.

However, this exemption is temporary. With Cambodia expected to graduate from LDC status in 2029, it will soon face stricter intellectual property obligations (United Nations, 2024). This transition highlights the urgency for local pharmaceutical firms to shift toward proprietary innovation and full compliance with global standards.

Company Profile

Santelys Pharmaceutical Co., Ltd. is a leading pharmaceutical manufacturer in Cambodia, playing a key role in improving public health through the production of affordable, quality-assured generic medicines. Established from the former state-owned Cambodia Pharmaceutical Enterprise—created with Chinese government support—Santelys was privatized and rebranded in 2019 as part of Cambodia's broader economic reforms. Since then, Santelys has undergone major restructuring to meet international Good Manufacturing Practice (GMP) standards, including certification under the EU Pharmaceutical Inspection Co-operation Scheme (PIC/S). With support from its joint venture partner, Jacobson Pharma Corporation (Hong Kong), the company has enhanced its production capacity, regulatory compliance, and product diversity.

Santelys manufactures over 400 generic drugs, such as antibiotics, pain relievers, sedatives, and vitamins available in various forms including tablets, capsules, powders, and syrups. Its

growing R&D pipeline includes 30+ new products, developed under WHO guidelines to meet rising healthcare demands.

Operating with 270 employees, Santelys emphasizes workforce development, quality control, and alignment with global standards. While Cambodia currently benefits from TRIPS flexibilities that support generic production, its expected graduation from Least Developed Country status in 2029 presents new intellectual property obligations. In this context, Santelys is well-positioned to lead the industry toward innovation, self-sufficiency, and improved public health outcomes.

Methodology

This research utilized semi-structured interview to obtain detailed, adaptable insights from participants; and further supported by examining pertinent secondary documents. Combined, these two data sources provided a comprehensive view of Santelys' evolution, its innovative approaches, and how the company has reacted to external challenges and shifting industry requirements. For this preliminary study, an in-depth semi-structured interview was conducted exclusively with the key person of Santelys's top management. Although other roles such as senior management, production personnel, and individuals involved in regulatory and partnership matters were considered relevant, the interviewee was chosen as the sole interviewee due to his comprehensive oversight and strategic involvement across all these domains

Interview transcripts and secondary materials were analyzed using thematic analysis, as outlined by Braun and Clarke (2023). The analysis followed a six-phase process: familiarization with the data, initial coding, identification of themes, review of themes, theme definition and naming, and report writing. Coding was both inductive and deductive therefore allowing key themes to emerge organically while also being informed by the research questions and theoretical literature.

Results

This case study, based on interviews and document analysis, outlines Santelys Pharmaceutical Co., Ltd.'s transformation from a state-owned enterprise into a regional pharmaceutical contender. The findings are organized around three core themes: innovation, strategic decision-making, and industry challenges—each revealing how the company balances internal capability-building with external market and regulatory pressures.

Theme 1: Innovation as a Growth Driver

Santelys is moving beyond generics into original drug development, investing 15–20% of revenue in R&D. Focus areas include oncology, autoimmune, and cardiovascular diseases. Innovation is driven by in-house teams, academic partnerships, and traditional medicine research.

Theme 2: Strategic Business Decisions

Santelys follows a dual market strategy: serving Cambodia while expanding into underserved regions like China, Hong Kong, the Middle East, and Eastern Europe. It positions itself as a "first generic" innovator and pursues international certifications such as EU GMP. With

Cambodia set to exit LDC status in 2029, Santelys is preparing for stricter IP rules through partnerships with top Chinese universities and a focus on technology transfer.

Theme 3: Navigating Industry Challenges
To ensure long-term sustainability, Santelys is advancing beyond generics despite high R&D costs and regulatory hurdles. It conducts comparative trials to align with FDA and EMA standards. Addressing local talent shortages, the company recruits international experts, invests in workforce training, outsources research, and acquires smaller, innovation-focused firms.

Conclusion

Santelys stands out in Cambodia's pharmaceutical sector as both a pioneer and adaptable innovator. Unlike many firms focused solely on generics, it is also developing first-in-class drugs, balancing affordability with long-term innovation. Its participation in international clinical trials and pursuit of US FDA/EMA standards reflect a commitment to global quality, despite local resource constraints.

Leveraging its reputation as Cambodia's first pharmaceutical and hospital supplier, Santelys builds trust and strengthens its capabilities through academic and R&D partnerships. By treating regulatory challenges as strategic opportunities, the company has positioned itself beyond price-based competition, showing that SMEs in emerging markets can succeed through selective innovation, collaboration, and adaptability.

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