



Cost, quality, talent make China hot spot for biotech industry

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SAN FRANCISCO: When it comes to the biotechnology industry, China not only has one of the largest populations in need of healthcare, but is also one of the fastest growing destinations for global pharmaceutical companies to carry out clinical trials needed to bring new drugs to market.

And with increasing interest, experience, and funding, many industry players are looking to China's growing number of biotech companies as the market's next innovators.

In recent years big pharmaceutical companies such as Bayer and Pfizer have looked to make inroads into the Chinese marketplace, drawn by a mix of lower costs, quality, and talent. Small, early stage biotech companies such as California-based BioEnergenix have also capitalized on these opportunities.

In part due to the growth of bioscience parks such as Zhangjiang Hi-Tech Park in Shanghai and similar operations in Wuxi and Suzhou, foreign-based entities have the flexibility of choosing their own models.



Pills and capsules. CFP

"There's a lot of different outsourcing companies," said Jimmy Zhang, the senior vice-president of business development at Synergenics, a biotech investment and management firm based in the San Francisco Bay Area. "You can pick the best and get things done really fast in terms of discovery and development."

Zhang described how a recent BioEnergenix clinical trial compared with similar clinical trials conducted previously by the same management team yielded results during the same stage in approximately one fifth of the time and one tenth of the money. In an industry where timing and pipeline flow are key factors for success, these figures prove especially relevant.

Despite the growth, overall investments in the Chinese biosciences industry declined in 2009, driven largely by decreased venture capital funding. A freeze on initial public offerings that lasted through May of this year, and lukewarm mergers and acquisitions activity, also contributed to a sluggish investment outlook for 2009, according to Greg Scott, the founder of ChinaBio LLC, a consulting, market research, events company that focuses on Chinese biotech companies.

However, the \$124 billion allocation the Chinese government has committed to healthcare as part of its stimulus package is expected to stimulate research and grow more early-stage companies. Scott also points to the rising levels of partnership activity, where 29 deals were completed in the first half of 2009 compared to the 37 partnerships entered into in all of 2008.

According to research done by ChinaBio LLC, however, the number of new molecule patents has increased more than tenfold since 2000. Developing programs such as San Francisco's ChinaSF initiative also help encourage further innovation through collaboration with the Chinese bioscience parks and the venture capital community of Silicon Valley and within academic circles.

"China has thousands and thousands of years of traditional Chinese medicine and San Francisco is the home of biotech," said Leland "Skip" Whitney, the chairperson of the ChinaSF Life Science Biotech Committee. "You take the combination of putting those two together and who knows what wonderful things will come out of it."