

BUSINESS

Pharma attracts overseas investment

Medicine sector grows as policies open up market

By ZHENG YIRAN
zhengyiran@chinadaily.com.cn

In the coming five years, China will contribute an estimated \$37 billion to the global prescription market and 13 percent of the sector's growth, amid growing investment interest among foreign pharmaceutical companies, according to a recent report.

Chinese consumers spent \$122.6 billion on medicine in 2017, with demand generated by the country's large elderly population, according to the report by management consulting firm LEK Consulting. It estimated the market will achieve nearly double-digit growth in the future.

"Because of the rapid growth of the Chinese market and the country's constantly increasing medical expenditure, China's biopharmaceutical market has great growth potential. Therefore, foreign companies have strong interest in the market," said the report.

Unlike conventional drugs made by manufacturing-focused pharmaceutical companies through syntheses of plant- or chemical-based compounds, biopharmaceutical medicines are developed by research-driven biotechnology firms using yeast, bacteria or mammalian cells.

Around 90 percent of international biopharmaceutical companies intend to enter the Chinese market, or further expand their existing business in China, according to the report.

China is among the top four markets that biopharmaceutical companies would like to invest in, and 22 percent of enterprises interviewed for the report saw the market as a high-priority option.

Also, some Chinese companies are actively approaching foreign ones. Two-thirds of biopharmaceutical companies around the world have already received an invitation from Chinese enterprises.

No matter which research and development stage a biopharmaceutical company is in, it will consider entering the Chinese market, especially those at the phase II clinical trial stage that are surveyed.

In the past 10 years, China has launched a series of initiatives to build an ecosystem that effectively supports the R&D of innovative healthcare products.

The country's Thousand Talents



A scientist from the Guangzhou Institutes of Biomedicine and Health, which is part of the Chinese Academy of Sciences, conducts an experiment. XINHUA

"I think no international enterprise in the world can deny the importance of the Chinese market."

Dirk Van Niekerk, head of prescription medicine at pharmaceuticals producer Boehringer Ingelheim China

Plan attracts overseas Chinese to return to their homeland, offering strong financial backing for world-leading R&D programs.

In addition, the government has increased its investment in medical approval processes to shorten and standardize the approval period for Chinese medical products. The number of evaluation experts at the Center for Drug Evaluation, part of the Food and Drug Administration, is now three to four times higher than in 2013.

The State Council's Made in China 2025 initiative aims to speed up China's innovation process and raise its manufacturing standards, especially in the biopharmaceutical industry.

"These policies, regarded as symbols of the Chinese government encouraging international cooperation, will reduce the costs and time for products to enter the Chinese market," said the report.

Dirk Van Niekerk, head of prescription medicine at pharmaceuticals producer Boehringer Ingelheim China, said: "I think no international enterprise in the world can deny the importance of the Chinese market. In recent years, China's pharmaceutical industry has had great development. The period of drug approval is shortened, employees in the country's drug supervision department are getting more and more training, and we have seen that China is put-

ting a lot of effort into improving drug quality."

\$37 billion

China's expected contribution to the global prescription market in the coming five years

\$122.6 billion

money spent by Chinese consumers on medicine in 2017

ting a lot of effort into improving drug quality."

However, multinational biopharmaceutical companies still face challenges when entering the Chinese market.

According to the report, Chinese patients and doctors have quite different demands compared to those in other countries. For example, patients' limited budgets and the limited medical resources means the Chinese market has different acceptance rates for expensive innovative medical treatment.

The difference could lead to failure when medical innovations from European and North American countries are introduced to China.

Chinese firms usually prefer to develop products with high cost performance, offering the most economical product while meeting the expected standards.

In spite of the complexity of the Chinese market, challenges that have existed for a long time are being eliminated, and more international pharmaceutical companies are attracted to the Chinese market.

"Recently, we noticed that some American enterprises had inked deals with their Chinese partners, to jointly promote product commercialization. Therefore, we are considering entering the Chinese market as well," said Joseph Whalen, senior vice-president of Horizon Pharma.

Tencent inks pact for data center efforts

By ZHENG CAIXIONG
zhengcaixiong@chinadaily.com.cn

Technology giant Tencent has inked an agreement with the Guangdong branch of China Telecom on Tuesday for further cooperation and upgrade of the latter's data center services on the mainland.

The agreement inked by the Guangdong unit is the second by China Telecom, after a similar one by its Chongqing branch earlier.

The agreement was signed by Zhu Yitong, deputy general manager of the IDC (Internet Data Center) business department at China Telecom's Guangdong branch, and Zhu Hua, director of Tencent's internet data center.

Yang Xiaofeng, deputy general manager of China Telecom Guangdong branch, said the strategic cooperation marks a new step in the deepening cooperation between the two sides.

"Artificial intelligence, big data and cloud computing are all getting increasing importance and priority for further development."

Zhong Yuanhe, head of the data center at Tencent's technical engineering group

"China Telecom's Guangdong branch will be able to use Tencent's Nebula and related intelligent products and its advanced management experiences to further expand its IDC operations, quality and efficiency and maximize the value of IDC, in the years ahead," Yang said.

Tencent has more than two decades of experience in data center operations and a robust platform for intelligent and cloud computing, he said.

Zhong Yuanhe, head of the data center at Tencent's technical engineering group, said growing internet usage, especially in the industrial internet sector, is closely related to the growth of data centers.

"The Tencent data center will offer its planning, construction and operational experiences gained during the rapid growth of consumer internet," Zhong said.

"At the same time, it (Tencent) will also help build a stable, intelligent and massive data center in the era of industrial internet," he said.

"Artificial intelligence, big data and cloud computing are all getting increasing importance and priority for further development," said Zhong.

Tencent will play a key role in industrial upgrading through its advanced technologies, platforms and resources in the future, Zhong said.

To this end, the number of servers in Tencent's data center has grown to more than 1 million from less than 500,000 in the past several years, despite the number of staff having increased by less than 20 percent, according to Zhong.

Tencent is planning to join hands with more companies and operators in AI, big data and cloud computing industries for more win-win deals in the coming years, he said.

Xiamen's new logistics platform seen transforming cargo shipping

By LIU YUKUN in Beijing and HU MEIDONG in Xiamen, Fujian

Silk Road Maritime, a new logistics facilitation platform launched this week, is promising to add tremendous value to shipping operations in the eastern region by optimizing routes currently in use, industry insiders said.

The Xiamen, Fujian province-based service is expected to lower costs for even urgent shipping orders as it is backed by an alliance of nearly 50 logistics providers across shipping, air, and supply chain sectors, they said.

Li Yifeng, who owned a logistics company in Xiamen, is certain the platform will enhance efficiency.

Now a commercial director at VMS Supply Chain (China) Ltd, Li said Silk Road Maritime can help improve certain practices.

Li said in the past, the sector did not have the capability to execute orders on the same day. Now, however, the new logistics platform is expected to club orders of different cargo firms together and optimize container capacity. This could facilitate quick dispatch without having to wait until the container is full with cargo of a single firm.

"In the past, we used to use air transport combined with sea-based shipping to execute quick orders. But that cost us about five times more than normal shipping," Li said.

Silk Road Maritime, market experts said, can enhance transportation networks and promote trade, making Xiamen a strategic point in China.

Founded by Xiamen Port Holding Group Co, and run by its subsidiary, Silk Road Maritime manages shipments of numerous courier and cargo service providers.



Silk Road Maritime, a logistics facilitation platform, is launched on Monday in Xiamen, Fujian province. HU MEIDONG / CHINA DAILY

The platform also offers smoother transitions, related infrastructure and services to shipping companies.

"It's a big positive for logistics companies as it optimizes current routes and brings balance to current shipment schedules. All this can facilitate daily shipments," Li said.

According to Cai Liqun, deputy general manager at Xiamen Port Holding Group, the platform will also offer other services such as communications with ports and storage facilities.

"We hope to build the platform into a globally competitive business incubator and attract logistics companies from both domestic and over-

seas markets," said Cai.

By next June, the group plans to manage 16 new shipping routes with a majority of them connecting Southeast Asia. The 16 routes were previously managed by China Cosco Shipping Corp Ltd, Wan Hai Lines Ltd, and many others.

It also plans to harness synergies from cooperation with Sino Euro Cargo Railway, a logistics network linking China's Xinjiang Uygur autonomous region with Central Asian and European countries.

The deal will help the countries connect with Southeast Asia, with Xiamen acting as a vital link on the route.

Huang Qiang, executive vice-mayor of Xiamen, said: "It will be a crucial step for the city, which is an important base for China's opening-up, to strengthen trade ties between China and other countries. A well-established logistics network can also make the city more appealing to trading companies."

Cai said the first shipment using Silk Road Maritime carried a load of 4,250 TEU (twenty-foot equivalent units, an industry measure of cargo capacity) of light industry products bound for the Philippines.

"The first shipment from Xiamen contained clothes, fabrics and many

other goods to Southeast Asian countries. It will bring back tropical fruits from there on the return trip," Cai said.

The next step, according to Xiamen Port Holding Group, is to increase shipping routes, and facilitate smoother sea-to-sea and sea-to-land shipping transitions through cooperation with ports, railways and shipping companies operating in both domestic and overseas markets.

Going forward, the group plans to develop into a globally competitive brand in the field of logistics services and shipping networks, involve more shipping companies, and increase volumes.

The group's efforts in improving logistics networks have been supported by local governments.

Xiamen Vice-Mayor Huang said the local government will continue supporting such projects by offering better infrastructure and services, to bolster a better business environment for logistics.

The local government has vowed to support related construction, including renovating current ports and industrial parks. It said it will continue to build the linking arteries and logistics networks covering railways and highways.

The government also said it will promote more efficient customs inspection and quarantine facilities, and link up services like storage, inland transportation, and customs clearance.

"The establishment of such platforms is essential for Xiamen to build itself into China's pivot point in promoting trade with economies in Southeast Asia, Central Asia, Europe and other regions," Huang said.

Contact the writers at liuyukun@chinadaily.com.cn