

Local Companies See Growth Opportunities in China

LIFE SCIENCES: BIOCOM To Sign Memorandum of Understanding With Beijing Development Association



CEO Mireille Gingras says Huya Bioscience is capitalizing on the growth of the Chinese biopharma industry.

By Heather Chambers

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San Diego — Convinced the future of drug development will rely as much on local innovation as overseas support, leaders of some San Diego County life sciences companies said they're forging stronger ties with China than ever before.

Likewise, industry trade groups such as BIOCOM are sending delegations to China to establish connections with government and development officials for cross-promoting products and services overseas.

"We're developing a strategy to more proactively promote all the services we can provide out of San Diego," said Joe Panetta, CEO of BIOCOM, a locally based group that represents about 550 life sciences companies.

Next month, he said the organization plans to sign a memorandum of understanding with a Beijing development association. The goal is to establish a kind of partnership that will drive business in both countries.

"We hear a lot about the concern of outsourcing to China — that they have cheap labor," Panetta said. "While they might have low-cost labor in terms of people who can do basic research, run sequencing machines and analyze data, they have very little experience when it comes to developing those products and commercializing those products."

By connecting BIOCOM with Beijing, Panetta said, companies interested in establishing a presence in the burgeoning Changping district and Chinese companies interested in gaining valuable commercialization experience will have a forum for doing business.

A Lot to Learn

Although China has made enormous gains in its manufacturing and drug testing processes, industry observers say it has much to learn from the United States in terms of building new life sciences companies and bringing drugs to the market for profit.

Huya Bioscience International, a privately held startup based in Carmel Valley, is leveraging its ties with Chinese academic institutes and research hubs interested in advancing their commercial knowledge. Huya's team of China-based "drug hunters" also benefits from the connection — they get a firsthand look at compounds Huya might look to in-license.

The company is bringing two of those drug candidates forward today: an anti-arrhythmic drug candidate and one for treating cancer.

"We're capitalizing on the explosion and growth of the Chinese biopharma industry," said Mireille Gingras, president and CEO of Huya. "We reduce the risk, the cost and the time because we in-license compounds that are already validated in China."

Other San Diego-based drug developers are forging closer ties with China in order to accelerate their research, cut costs associated with preclinical and clinical trials, or both.

"The world going forward is going to be a distributed world," said Jay Short, CEO of San Diego-based BioAtla. The company relies on a Beijing laboratory to provide research services to biotechs in San Diego and other parts of the world. It also operates a local laboratory, which recently formed a research alliance with San Diego-based Halozyme Therapeutics to develop screening libraries against targets in cancer, aesthetic dermatology and inflammation.

An R&D Hub

In a January report, Frost & Sullivan identified China as a major growing hub for global research and development. Frost & Sullivan analyst Barath Shankar Subramanian has estimated that by 2015, contract research organizations could capture 25 percent of the billions of dollars in global R&D spending among biotechs and pharmaceutical firms.

Nigel Beeley, formerly CEO of San Diego-based BioDuro LLC's China operations, said the CRO markets have also suffered to some degree from the drop-off of venture capital funding in the biotech industry.

But given their expertise, he said, the opportunity for outsourcing remains.

“Assuming that biotech funding returns to some extent, there will always be an expectation you can get some of the work done elsewhere a lot cheaper,” said Beeley, adding that the cost of outsourcing work to China is generally about one-third less expensive than the U.S.

Selling Their Wares

For others, the Chinese markets represent good opportunity for selling their products. As China begins its own universal health care initiative, Panetta said BIOCUM is also establishing ties with the Beijing government to explore ways in which local companies can contribute their medical devices and diagnostic tools. He noted how products previously unavailable in China — such as smoking cessation drugs and advanced cancer diagnostics — are also becoming popularized by a more affluent society.

“We’re seeing a growing role over there for niche types of products as incomes increase,” Panetta said.

Already, many of San Diego’s big life sciences companies, including Life Technologies Corp. of Carlsbad, have established a major presence in China.

Josie Norine, director of international business for Carlsbad-based SkinMedica Inc., said the company has been distributing its line of “cosmeceuticals” in Hong Kong for the past few years.

A 1-ounce bottle of its facial serum costs about \$250 and is selling well, she said.

“Our No. 1 account is actually Hong Kong,” she said. “It’s actually a very ripe market.”



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