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## Biotech firms form global partnership

Thomas Lee

MINNEAPOLIS: For Chinese biopharmaceutical companies, the gateway to the global drug market can be found at Triangle Research Park in North Carolina.

The Hamner Institutes for Health Sciences recently formed a partnership with China Medical City, a large biotech industrial park north of Shanghai, to jointly conduct research, and to produce drugs that can be sold in the US and China.

Under this "dual gateway" model, Chinese biotech companies will work with American experts at the Hamner Institute to develop pharmaceuticals that meet Food and Drug Administration standards. The vetted technologies will then be transferred to China Medical City and marketed to patients there, and eventually the rest of the world.

"We believe China will become a world leader in biotechnology," said Rick Williams, Hamner's chief business officer. "They have brilliant scientists and great science and research. But they don't have the industry experience (especially in clinical testing and regulatory affairs) to develop the drugs."

Long known as a low cost manufacturing hub for giants such as Pfizer and Co, and Eli Lilly Inc, China is trying to position itself as a legitimate global player in the biotechnology field. Last year, WuXi PharmaTech paid \$162.3 million to acquire St. Paul, Minn.-based AppTec Laboratory Services. At the time, it was the largest Chinese takeover of an American company since Lenovo Group purchased IBM's personal computer business in 2004.

By 2020 the government will invest about 2.5 percent of gross domestic product on developing scientific industries, compared to 1.3 percent in 2005, according to recent report by US accounting and consulting firm Ernst & Young.

The country has already built several technology parks, including China Medical City. The 20 sq km park, devoted entirely to biotechnology, medical innovation, and pharmaceuticals, features research and development centers, manufacturing facilities, and a 600-bed research hospital.

"Despite trying economic times, prospects for China's biotech industry appear to remain positive," said a report from Ernst & Young. "China continues to enhance its infrastructure and the education and development of a skilled workforce."

Ren Jun, CEO of Newsummit Biopharma in Shanghai, says China needs to tap talent outside the country to develop drugs that will meet global standards of safety and efficacy.

"The Chinese government has paid a lot of attention to biotech," said Ren, who estimates Beijing will invest about \$1.5 billion in the industry this year. "But if they want to develop successful biotech companies, we need cooperation with international partners like Hamner. It's not just

about the money and technology but maintaining international standards in ethics and patient care."

Former North Carolina Gov. Jim Hunt, who first developed the dual gateway model, says the US needs to attract more Chinese companies and investment. China has "a tremendous amount of money," said Hunt, now a partner with the law firm of Womble Carlyle Sandridge & Rice in Raleigh, N.C. "We expect to get a large number of Chinese companies to come to North Carolina and the United States in the years ahead. It's just starting to happen."

Newsummit Biopharma, a major partner in China Medical City, is establishing its North American business development center at Hamner, and is investing \$5 million to build a research and development/bioprocessing facility in Triangle Research Park.

"China is in a period of significant growth in the life science area," said Leslie Williams, a Boston-based partner with venture capital firm Battelle Ventures. "They are more industrialized and motivated to work collaboratively than they ever have been."

Last October, American Oriental Bioengineering in New York acquired drug wholesaler and distributor Nuo Hua Investment Co. for \$39.5 million and research and development firm GuanXi HuiKe R&D Co for \$13.6 million.

Genzyme Corp in Cambridge, Mass. plans to build a research and development center in Beijing. Meanwhile, Charles River Laboratories International in Wilmington, Mass. will establish a preclinical screening facility in Shanghai. Crown Bioscience Inc in Santa Clara, Calif. also said it will expand its laboratory presence in China.

Hamner CEO Bill Greenlee said that drug companies today must work across borders to develop drugs because of rising costs and lower profit margins. The days of big pharma spending billions of dollars to develop a blockbuster drug are over, he said.

"The US drug industry is in a massive state of reinvention," Greenlee said. "The old model is not working. The US needs to look for sources of technology around the world to develop."