David Liu, vice-president of Beijing Pharmaceutical, a wholesaler for drugs and medical devices, agrees that the system is geared towards taking smaller manufacturers out of the market. But it is a good thing, he says, because most of those companies do not innovate. "It is not like the United States, where you have small companies with an entrepreneurial spirit. In China, a small company means quick in, quick out," he says.

Multinational pharmaceutical companies that work in China could benefit. "A cleaned-up process will be good for foreign companies," says Liu. "They usually pay more attention to ethics in the first place." Several major drug companies, including Roche of Switzerland, AstraZeneca of the United Kingdom, and Eli Lilly of the United States, recently opened research and development facilities in China. And Novartis of Switzerland announced last November that it would invest US$100 million in a 400-researcher facility in Shanghai.

Private preferences

Senior executives from several multinational drug companies told *Nature* privately that they would be happy to see reforms in China's drug-regulatory system. "The cleaner, the better for us," said one. But when asked whether they had been encouraged to pay bribes or 'consulting fees' when applying to register drugs, or whether the SFDA scandal might affect their willingness to invest in the country, most shied away from official answers.

Within China, the fallout continues. The bribery scandal has pushed the agency to review the applications for some 170,000 drugs, focusing on those approved between 1999 and 2002. Sources in the pharmaceutical industry there say that SFDA officials and pharmaceutical companies are being given a grace period during which they can come clean and face a lesser penalty. The agency is also stepping up its investigation of companies and pharmacies thought to be involved in the scandal; 160 of these lost their licence to make or sell drugs in 2006.

There remains some scepticism as to whether the reforms will have a lasting effect. The inability for people — including most of the sources for this article — to voice their concerns suggests that the government might not have the input it needs. Some have even suggested that the reforms have been a political move and that things might return to their past state once officials under Zheng are removed. "You need another body to watch the SFDA," says Liu. Still, he, like most, is upbeat about the government's desire to reform. "The government knows it has a problem. Now it is going to fix it." ■

EYEPRESS/NEWSCOM

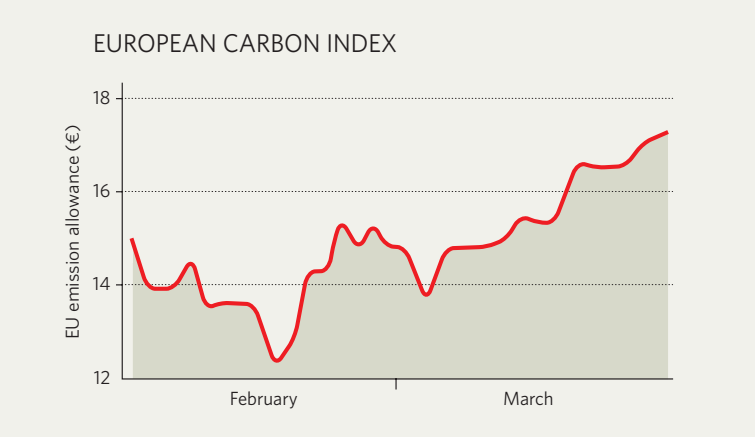
IN BRIEF

TROUBLED REPORTS **Indian scientist Raghunath Mashelkar, former head of the Council of Scientific and Industrial Research, has resigned as the chairman of a government panel on patent laws after charges that some parts of a recent report had been plagiarized. Non-governmental organizations, local pharmaceutical companies and some scientists had alleged that the panel allowed companies to monopolize drugs by letting them patent minor modifications to existing drugs. Critics revealed that key recommendations in the report had been lifted verbatim from an earlier study sponsored by US and European drug firms. Mashelkar had offered to correct the "inadvertent error" and resubmit the report, but critics want the entire report to be scrapped.**

TESTING TIMES **Two researchers who left the US government in the wake of Congressional hearings in 2002 on their work with private companies have founded a new firm to specialize in personalized medicine. Lance Liotta and Emanuel Petricoin say that their new company, Theranostics Health of Rockville, Maryland, will sell protein profiling tests that predict how patients' cancers will respond to treatments. The pair had previously developed a protein profiling test to detect ovarian cancer, but the test's accuracy was questioned by other scientists (see *Nature* 429, 496; 2004).**

NOT SO CLEAN **Torcetrapib, a drug abruptly dropped from clinical trials last December over safety concerns, might not be able to unclog arteries after all, according to studies reported last week at the American College of Cardiology meeting in New Orleans. Some of the studies have also been published in the *New England Journal of Medicine*. Pfizer had hoped that its drug would raise high-density lipoprotein, or 'good' cholesterol, enough to clear out arteries. The new findings suggest that good cholesterol does rise significantly, but has little effect on cleaning out arteries, leaving experts to wonder whether similar drugs under development will work. A much larger study whose expected release at the meeting was delayed (see *Nature* 446, 363; 2007) may answer that question.**

MARKET WATCH



SOURCE: EEX

The price of carbon allowances for phase two of the European Union emissions-trading system reached a three-month high last week, after the European Commission decided to cut Poland and the Czech Republic's plans to allocate allowances for carbon-dioxide emissions for the 2008–2012 trading period.

The commission will now permit Poland to hand out allowances of 208.5 million tonnes per year to its installations, which is 27% less than it asked for. The approved annual allocation to the Czech Republic is 86.8 million tonnes — 15% less than requested. France's national allocation plan — 132.8 million tonnes — was approved without cuts.

Power plants and other large installations can buy emission allowances on the market if they want to exceed their CO_2 caps. An allowance to emit one extra tonne of CO_2 during 2007 costs little more than €1 (US$ 1.33) because most installations own more allowances than they will need. But given the reduced caps for the second trading period, carbon futures for 2008 are now being traded at more than €17 — up from a low of €12 in late February.

"As from next year, there will likely be shortages," says Stefan Kleeberg, who watches carbon markets for 3C Climate Change Consulting near Frankfurt, Germany. "As a result, phase-two allowances could sell for €20–50 in the next months." ■

Quirin Schiermeier