

ANALYSIS

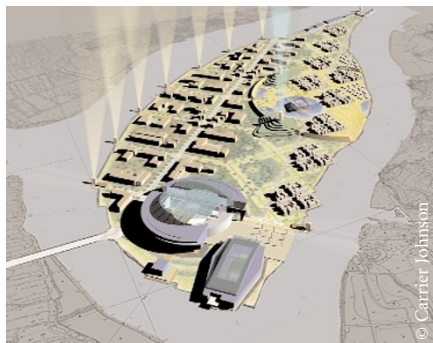
China's efforts to lure biotechs to Bio-Island criticized

A group of Chinese developers is hoping to lure Western bioscience firms to an ambitious research and manufacturing biotech facility on a river island near Guangzhou (formerly Canton) in China. The proposed Guangzhou International Bio-Island (GIBI) is the first government-planned biotech park and is modeled on the successful biotech clusters in the US and Europe. The founders hope to encourage participation of US biotech companies with the promise of easy access to the country's population and medicines. However, several people question the judgment of trying to proactively establish a biotech park in a relatively secluded area, particularly in a country whose regulations are not yet conducive to international business.

GIBI is a joint venture between the Chinese provincial government of Guangdong and a private firm headed by Hong Kong real estate developer, William Au. The goal of GIBI, according to Hong Zhao, GIBI's director of technology development, is to integrate traditional Chinese medicine and advanced Western genomics technology to develop new drug targets, diagnostic tests, and possibly new therapies. "To achieve this goal," says Zhou, "we are searching for advanced technology from Western countries. We hope that all these companies will come together on Bio-Island."

GIBI plans to offer Western bioscience firms laboratories, manufacturing facilities, testing grounds and academic centers. Blueprints for the project also show a convention center, museum, library, shops, and residences for 16,000 workers. The estimated cost of the project is RMB15 billion (about US \$1.8 billion), and the developers say they are currently negotiating with investors from Hong Kong and plan to start construction sometime in 2001.

The developers say they are modeling the project on research clusters near Boston, MA, San Jose, CA, and College Park, MD that have spun off from universities and other institutions. However, these biotech clusters and counterparts in Europe have arisen around centers of academic excellence and, therefore, many people are skeptical about forcing creation of a biotech park. "This [GIBI] is a fantasy, a fantasy island," says Ming-Wei Wang, president of SiniWest Holdings, a Shanghai-based technology development firm, and cofounder of Ancile Pharmaceuticals (La Jolla, CA). "You cannot develop a high-tech center without a supporting structure, without local surrounding society and academic



Proposed master plan of the Bio-Island.

institutions to support it."

Indeed, the island is an undeveloped open space lying in the Pearl River near Guangzhou. (A fishing village of 1,500 residents would be relocated, according to development plans.) Although the provincial Chinese government has committed \$500,000 to build roads and bridges connecting the 2 km² island to Guangzhou, currently the only way to get to the swampy, palm-covered island is by boat.

Guangzhou is a city of six million people about 90 minutes' drive north of Hong Kong, and was the first city open to Western investors by the Chinese government in the early 1990s. Although it is one of the four main trading ports into the country, in contrast to Shanghai or Beijing, it lacks a significant biotechnology industry.

In addition, although GIBI is one of several high-tech industrial parks being built by the Guangzhou government, it is their first biotech effort. And Au, a developer of Gold Arch Riverdale, a gated community of expensive homes for Westerners doing business in Guangzhou, has not been involved in biotech projects before. "These people [GIBI founders] are not in the biotechnology business," says Wang. Au was unavailable for comment.

Nevertheless, the immense size of the consumer market in China has always been an incentive for Western companies to do business in the country, and Zhou thinks the fact that Guangzhou is a manufacturing center for traditional medicines is a special incentive for Western biotech companies to participate. He says several universities in Guangzhou are participating in GIBI, which also plans to offer research collaborations with the Beijing University of Traditional Chinese Medicine (about 1500 miles north of Guangzhou). In addition, Zhou says GIBI will offer biotechnology firms government pre-approval to sample genetic information from the Chinese population in exchange for a profit-sharing agreement. "If any

Western companies want to make studies on Chinese population, they have to come to China," Zhou says. "We can help companies do this job."

Last autumn, a trade mission of Guangzhou government officials and the island's developers visited political, academic, and business leaders in San Diego to drum up support for the bio-island project, but Zhou will not say how many Western biotech firms are actually interested in locating on GIBI. Officials at Sequenom (San Diego, CA), a genomics firm that studies genetic diversity and the differences between Asian and Western populations in certain gene-related diseases, have visited the island but have yet to make any commitments to GIBI, according to Chief Scientific Officer Charles Cantor. "We're serious about doing business in Asia and this looks very interesting," says Cantor. "It's an attractive opportunity, but it's not the only opportunity."

Indeed, several companies have already struck up deals independently with Chinese researchers. These include Kevin Kinsella's Ancile Pharmaceuticals, which is conducting clinical trials of traditional Chinese medicines for eventual sale in the US. Kinsella says GIBI's proximity to medicinal manufacturing is probably unimportant because only small quantities of herbs or medicine are needed for analysis. Sponsorship from the government, he adds, could allow some kind of special market exclusivity, but he points out that this would be illegal should China join the World Trade Organization (WTO). "From what I've heard so far, nothing grabs me and says [GIBI is] a tremendous opportunity," says Kinsella.

Another California-based company, United Medical Industrial Group (UMIG; S. San Francisco), is developing cardiovascular, diabetes, and antibiotic drugs in China, and has set up joint ventures with private entrepreneurs in three Chinese cities without moving to pre-existing biotech centers. "There is no benefit [in going] to a biotech park," says UMIG's president, Peter Huang.

In any event, general Chinese bureaucracy could dissuade Western bioscience firms from participating in GIBI. Both Kinsella and Huang say that unclear and constantly shifting government regulations in China delay projects, and that lax enforcement of copyright and intellectual property protection laws by the government is a worry. However, several observers say both obstacles might lessen if China joins the WTO—a process that took a step closer in May when the US Congress voted to normalize trade relations with China.

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