

Traveling Healthily on the Belt and Road

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September 2019

Chengdu, the capital of China's Sichuan province, probably best known for its spicy cuisine, may soon be known as a center for biomedical innovation, a home for medical and health service providers and a hub for trade in pharmaceutical products. A plan issued by the Chengdu municipality in June 2019 reveals that the city is ready to grasp the opportunities offered by the Belt and Road Initiative (BRI) and would push its medical aesthetic industry revenue to over 100 billion RMB by 2025. So — what is BRI, and why is it relevant for international life science companies?

Trade in medicine is nothing new. More than 2,000 years ago, China paved a trade route crossing central Asia, connecting East and West. The route was named the Silk Road, featuring the lucrative trade in silk along the route. Of course, silk was not the only product traded. Trade in medicine also flourished. As ginseng and acupuncture made their way via the Silk Road to the West, Western treatments such as benzoin and surgery were also introduced to China. However, as time has passed by, both the means and content of trade has evolved; the ancient Silk Road is no longer in the limelight. Now China vows to revive the ancient route by building a modern day Silk Road.

The BRI refers to the Silk Road Economic Belt (the Belt) and 21st Century Maritime Silk Road (the Road), a development initiative launched by the Chinese government. The overland Belt points to three routes: One links China to Europe through central Asia and Russia; one connects China with the Middle East through central Asia; and the third brings together China, southeast Asia, south Asia and the Indian Ocean. The maritime Road uses Chinese coastal ports to link China with Europe through the South China Sea and Indian Ocean and to connect China with the South Pacific Ocean through the South China Sea. The use of the word “initiative” is deliberate, indicating the flexible nature of the cooperation that the Chinese government seeks to establish with the other countries. In particular, China does not limit the scope or profile of the participating countries.

There are five key areas of cooperation under the BRI: (i) policy coordination, with governments cooperating on development plans and providing support for large-scale project implementation; (ii) infrastructure connectivity (China identified six overland economic corridors to enhance infrastructure connectivity: the China–Mongolia–Russia Economic Corridor, the New Eurasian Land Bridge, the China–Central Asia–West Asia Economic Corridor, the China–Indochina Peninsula Economic Corridor, the China–Pakistan Economic Corridor, and the Bangladesh–China–India–Myanmar Economic Corridor); (iii) unimpeded trade; (iv) financial integration; and (v) people-to-people bond (e.g., culture exchange).

Of these five areas of cooperation, infrastructure connectivity sits high on the BRI agenda. By enhancing the infrastructure framework of the six corridors, China aims to unlock the development potential of the previously landlocked cities. This is exactly what Chengdu, an inland city, is trying to capitalise on. On April 15, Chengdu customs cleared the first-ever shipment of overseas high-end medical aesthetic products. The 100-million-RMB (US\$14.9 million) shipment travelled along the China-EU Express Railway. The international pharmaceutical company, which just set up an innovation hub in Chengdu, explained that the decision was made because the shipment time would be shorter, the customs clearance would be more efficient and the cost would be lower. Furthermore, as Chengdu is located in the center of a market covering a population of 380 million, it is not surprising that the enhanced connectivity of the city would open new markets for multinational life science companies.

Chengdu is not alone. In August China extended pilot free trade zones (FTZ) to Shandong, Jiangsu, Guangxi, Hebei, Yunnan and Heilongjiang provinces to help improve trade ties with neighboring countries and expand the reach of the BRI. FTZs are designated areas where foreign enterprises can engage in economic activities that are generally restricted elsewhere in China. Life sciences is mentioned as a priority area for further liberalisation in these newly assigned FTZs. Just to name a few: Hebei province would simplify customs formalities for products and samples for clinical research and development (R&D) use, and registration and approval procedures for medical devices; Jinan, the capital of the Shandong province, would apply an expedited approval procedure for new medicines to access the market more quickly; and Jiangsu province would build a big data center for healthcare and speed up the approval of proton therapy and robotic surgery.

In the meantime, coastal cities on the Road are building on their traditional strengths in life science innovation. The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, launched in February, would foster the R&D of clinical medicine and facilitate the cross-boundary use of medical data and bio samples. Under this plan, Hong Kong might become a bridgehead for biomedical companies looking to extend their R&D from the Greater Bay Area to the BRI markets.

By enhancing connectivity and facilitating trade, BRI offers new market opportunities for the life sciences industry. To explore the opportunities, international life sciences companies need to closely follow first, China's domestic reform measures to liberalize the life sciences sector, especially measures taken by various FTZs, and second, China's bilateral or plurilateral trade and investment agreements, which crystalize market access opportunities under the BRI. Last but not least, China has been seeking bilateral arrangements with other countries on BRI. The Memorandum of Understanding (MoU) signed between China and Switzerland in April 2019 is one of such arrangements to expand cooperation on trade, investment and finance for projects along the routes of the BRI. This MoU might be of particular relevance for life science companies in Switzerland.