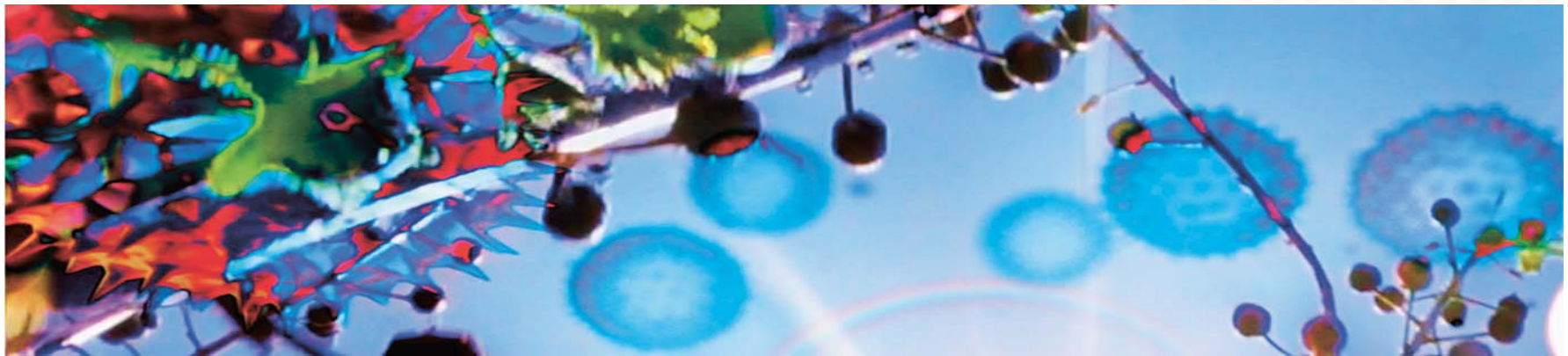


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China's new Dual Circulation Strategy – how are life science companies affected.



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Swiss-Chinese Life Science Forum

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China's new "Dual Circulation" strategy – How are life science companies affected.

Content

- China's dual circulation strategy
- Life Science industries in the 14th 5-year plan for 2021-2025
- Opportunities and challenges for Swiss and Chinese life science companies

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China's "Dual Circulation" Strategy.

A strategy to reorient China's economy by prioritizing domestic consumption ("internal circulation") while remaining open to international trade and investment ("external circulation")

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China's "Dual Circulation" Strategy.

- First articulated in May 2020; further specified by President Xi Jinping during 2020
- Set to determine legislative, diplomatic and economic developments in China for the coming decade

China's "Dual Circulation" Strategy.

Main objectives:

- Eliminating its dependence on foreign technology in strategic sectors (technical self-sufficiency)
- Facilitating the domestic dominance of local companies in key sectors
- Boosting private consumption in China: 39% of GDP; compared to an average of 55% of other major economies
- Leveraging the domestic dominance into global competitiveness

👉 Continuation of a process that started already in 2005

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Life science industry in the 14th 5-years plan 2021-2025.

- Improving domestic economic conditions
- Boosting technological innovation
- Key industries identified, amongst them:
 - Neuroscience and brain-inspired research
 - Genetic research
 - Biotechnology
 - Clinical medicine and health

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Life science industry in the 14th 5-years plan 2021-2025.

Innovation

- Massive increase of R&D spending
- Growth of more than 7% per annum
- Starting from 2.3% share of GDP (2020) to 2.7% (2025)
- To facilitate: tax rebates on R&D spending will be introduced
- Comparison:
 - EU: 2.2% (2017)
 - USA: 2.8% (2018)
 - Switzerland: 3% (2017)

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Life science industry in the 14th 5-years plan 2021-2025.

Local policies (for example Biomedical industry policy of Shanghai)

- Aim to establish policies to support the entire value chain (from R&D to application)
- Supporting fields: antibody drugs, new vaccines, gene therapy, cell therapy, high-end medical devices, advanced equipment
- Subsidies for overseas market development: <30% of the R&D investments, and <RMB 10 million one-off payment.

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Opportunities and challenges for Swiss and Chinese life science companies.

Opportunities

- Life science as a key industry attracts high attention
- Policy driven support
- Governmental subsidies and preferential (tax) treatment
- Chinese venture capital for Swiss life science startups

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Opportunities and challenges for Swiss and Chinese life science companies.

Challenges

- Life science is a key industry: Chinese industry policy will be decisive in the mid to long-term
 - ☞ Have a clear long-term strategy
- Multinational: R&D and manufacturing in China – competition from indigenous firms will increase
- Swiss startups: Granting commercialisation rights for China to Chinese investor/partner as an option

Takeaways.

Key takeaways:

- Dual circulation strategy logical continuation of China's economic policy initiated in 2005
- Life science will be a key industry in China in this decade

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