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THE WAY OF THE DRAGON

Is China Becoming the New Frontier of Biotech Innovation?

Over the past 18–24 months, a major structural shift has been emerging across the global biotech industry: an increasing number of Western pharmaceutical and biotech companies are acquiring or licensing drug candidates developed in China.

This is no longer a marginal trend confined to manufacturing capabilities. More and more frequently, the innovation itself is originating in Chinese laboratories, before being clinically developed and commercialized in Western markets by U.S. and European companies.

According to several industry estimates, roughly 25% of new drug candidates in the global biotech pipeline in 2025 originated in China, up from less than 10% a decade ago. At the same time, large Western pharmaceutical companies have significantly accelerated licensing agreements with Chinese biotech firms, particularly in oncology and next-generation therapeutic platforms.

Why Are U.S. Companies Increasingly Acquiring Chinese Biotech Assets?

The rationale is primarily economic and operational.

Over the past decade, China has built an increasingly competitive biotech ecosystem, supported by:

- abundant access to capital;
- lower research and development costs versus the United States;
- strong clinical execution capabilities;
- rapidly improving scientific quality;
- significant industrial and strategic backing from the Chinese government.

For many U.S. biotech companies, licensing a Chinese drug candidate at the preclinical or early clinical stage can be materially faster and more cost-effective than pursuing internal discovery programs.

In practice, a growing number of American companies are increasingly positioning themselves as clinical development and commercialization platforms for Western markets, while a larger share of early-stage innovation is taking place in China.

This trend is now visible across the sector through:

- large-scale licensing transactions;
- U.S. IPOs built around China-originated assets;
- newly formed biotech companies specifically designed to acquire ex-Asia rights to promising Chinese drug candidates.

Strategic Opportunity or Emerging Risk?

The trend is fueling an increasingly intense debate in the United States.

On one side, many industry participants argue that this global integration improves capital efficiency and accelerates the development of innovative therapies for patients worldwide.

On the other hand, concerns are growing that the United States could progressively lose scientific and industrial leadership in a sector widely viewed as strategically important from both an economic and geopolitical perspective.

Notably, the United States International Trade Commission launched an official investigation in February 2026 into Chinese biotech industry pricing practices and state support mechanisms, as well as their potential competitive impact on U.S. companies.

The main public hearing is scheduled for May 27–28, 2026, in Washington, D.C.

The investigation will focus in particular on:

- the role of Chinese government subsidies;
- state support for genomics, synthetic biology, and API manufacturing;
- the potential implications for the competitiveness of the U.S. biotech industry.

The issue is increasingly being viewed as strategically relevant not only at the industry level, but also from a broader political and trade-policy perspective.

A Structural Transformation Worth Monitoring Closely

Biotech globalization is not a new phenomenon. However, the speed at which China is moving up the pharmaceutical innovation value chain represents a meaningful shift for the industry as a whole.

For specialized investors, it will become increasingly important to understand:

- where innovation is truly being generated;
- who controls the underlying intellectual property;
- which geopolitical risks may emerge over time;
- and which companies are best positioned to adapt to this evolving global landscape.

This is a theme we believe will remain highly relevant over the coming years.

How We Are Positioned at Onelife Fund

At Onelife Fund, we have been closely monitoring this structural evolution within the global biotech sector for some time.

The fund maintains selective and limited exposure to China-related dynamics, primarily through two types of investments:

1. Chinese biotech companies listed on U.S. exchanges;
2. U.S. biotech companies that have licensed drug candidates developed in China — typically with ex-Asia commercial rights — and are currently conducting the clinical development required for regulatory approvals in the U.S. and Europe.

We believe it is important to distinguish between direct exposure to Chinese geopolitical risk and participation in an industrial trend that is increasingly reshaping segments of the global pharmaceutical innovation chain.

At the same time, we believe the topic deserves close attention. Rising strategic and trade tensions between the United States and China could have significant implications for the biotech sector over the coming years, both from a regulatory standpoint and in terms of capital flows.

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