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GEOPOLITICS ENTERS THE LAB: THE NEW FRONT IN THE US–CHINA BIOTECH COMPETITION

A few weeks ago, we discussed the growing role of China in global biotech innovation and the increasing number of US companies licensing drug candidates developed by Chinese biotech firms.

Since then, new developments have emerged that further reinforce the idea that biotechnology is becoming an increasingly strategic industry from a geopolitical perspective.

If only a few years ago biotech was viewed primarily as a scientific and industrial sector, today both the United States and China appear increasingly determined to treat it as a matter of national security, alongside semiconductors, artificial intelligence, and other advanced technologies.

China's Response

According to reports that surfaced in recent weeks, China's Ministry of Commerce (MOFCOM) is considering the introduction of export controls on several categories of strategic biotech technologies, including therapeutic antibodies, small molecules, nucleic acid-based drugs, and gene therapies.

Should these measures be implemented, Chinese companies could be required to obtain government approval before licensing certain drug candidates to Western pharmaceutical and biotechnology companies.

At first glance, this may appear to be a technical regulatory matter. In reality, it could represent a meaningful shift.

Over the past decade, China has built an increasingly successful biotech model: many domestic companies advance innovative programs through early clinical development and subsequently license global or ex-Asia rights to large Western pharmaceutical companies. This flow of innovation has become one of the industry's most important growth drivers and contributed to record levels of cross-border licensing activity in 2025.

The introduction of government approvals could slow, complicate, or in some cases prevent a portion of these transactions.

The US Context

China's initiative does not emerge in isolation.

In the United States, policymakers have become increasingly focused on China's growing role within the global biotech ecosystem. Over the past several months, Congress, federal agencies, and the U.S. International Trade Commission have launched investigations, hearings, and policy reviews related to the sector.

At the heart of the debate are two key questions.

The first concerns the extent to which Chinese biotech companies benefit from government support and whether this creates an uneven competitive landscape for US firms.

The second concerns the growing dependence of Western pharmaceutical companies on assets, services, and research capabilities originating in China.



This broader discussion also includes the BIOSECURE Act, legislation designed to limit the involvement of certain Chinese companies considered sensitive within the US healthcare and biotechnology ecosystem.

From Commerce to Strategy

For investors, the most important takeaway is not any individual policy proposal but rather the broader shift in mindset that these developments represent.

For many years, biotech was among the most globalized industries in the world. Research, clinical development, manufacturing, and commercialization were distributed across countries largely according to economic efficiency.

That logic is beginning to change.

Governments increasingly view the ability to develop innovative medicines, manage biological data, and control advanced biotechnology platforms as strategic national capabilities.

In other words, biotech may be starting to follow a trajectory that resembles, at least in part, what we have already witnessed in semiconductors and other critical technologies.

What Does This Mean for Investors?

In the near term, it appears unlikely that the flow of licensing transactions between Western companies and Chinese biotech firms will come to a halt. The economic rationale that fueled this integration remains compelling: competitive development costs, strong scientific talent, and improving execution capabilities.

However, the level of regulatory and geopolitical uncertainty has clearly increased.

For large pharmaceutical companies, this means that evaluating a drug candidate may increasingly require consideration not only of scientific and commercial factors, but also of geopolitical risk.

For investors, understanding where innovation originates may become just as important as understanding the innovation itself.

How We View the Trend at Onelife Fund

At Onelife Fund, we continue to monitor developments between the United States and China very closely.

Our exposure to these dynamics remains selective and limited, both through certain Chinese biotech companies listed on US exchanges and through Western biotechnology companies that have licensed rights to Chinese-originated drug candidates.

We believe innovation will continue to move across borders, but we also recognize that geopolitical considerations are becoming increasingly relevant.

The most important question is no longer whether China has become a major force in global biotech innovation. That is already a reality.

The real question is how open the flow of innovation between China and the West will remain over the coming years.

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