

Industry Report



Review of China market shows real potential for lab companies – despite current issues

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GAMBICA members are effective exporters but it would take nerves of steel to be unaffected by recent media reports on the worsening trade relations between China and the US. Members have inevitably been concerned about the potential impact on UK companies.

In order to provide them with some genuine inside knowledge pertinent to the lab industry, I reached out to one of the speakers at the GAMBICA business breakfast in Beijing held during the BCEIA exhibition last year. Alex Barton is MD of Intralink China. Intralink will be well-known to many readers and have provided services to many GAMBICA members setting up or growing their business in China.

Here's what Alex had to say...

Recent quarrels between western governments and China are spurring China's drive to develop home-grown technologies and achieve self-reliance but this doesn't mean the door is closed to foreign lab tech companies. On the contrary - to achieve the government's ambitious goals, Chinese labs will require top-notch equipment, which presents substantial opportunities for British lab tech suppliers.

The UK government's changes to its extradition treaty with Hong Kong and its recent ban on the purchase of Huawei's equipment for 5G networks prompted a stern warning from China – with the Chinese ambassador declaring that the UK will 'bear the consequences of treating China with hostility'. British firms are therefore concerned that China will retaliate with tit-for-tat restrictions and/or tariffs on UK firms.

Chinese telecommunication equipment tops the UK list of imports from China – representing over 15% of imports in 2019. The ban on Huawei, the major Chinese player in this space, is therefore considered a substantial move against China. As a result, it's possible that China will retaliate by focusing on the areas that hurt the UK most. The UK's top export categories to China – petrochemicals, road vehicles, pharmaceuticals and power generating equipment – are therefore arguably most at risk. Large UK tech companies currently also have big targets on their backs. However, whilst a backlash from China is highly likely, it is worth bearing in mind that any repercussion will likely be limited to a small number of sectors.

Opportunities in the Chinese lab sector

COVID-19 has prompted the Chinese government substantially to up its game in the lab sector. For example, it announced last month that it was speeding up the construction of 700 state-backed laboratories. This, along with other recent developments, presents opportunities for UK lab suppliers.

To name a few:

• Automation

As in many other parts of the world, the recent COVID-19 outbreak placed immense strain on clinical labs in China. The Chinese government's policy of extensive preventative testing has cranked up the pressure even further. For example, in Wuhan alone, the government claims to have performed 6.5 million COVID-19 tests in only nine days – accounting for 80% of the city's population. As a result, automation equipment and instruments that increase the throughput and efficiency of labs are currently in high demand across the country.

• Instrument components

Spurred on by the government's drive towards self-reliance, Chinese instrumentation companies are keen to churn out new, top-of-the-range systems. For example, local manufacturer Snibe's Maglumi X8 was the world fastest CLIA analyser at the time of its launch. To develop innovative products, Chinese companies will often seek overseas suppliers of high quality components, such as optical systems.

• Engineering and design services

In addition to the Chinese federal government announcing the acceleration of the construction of hundreds of state-level labs, provincial governments have started to roll out their own plans. For example, the provincial government in Guangdong last



month announced its intention to construct 25-30 biosafety laboratories in the region within five years. These ambitious targets not only present openings for UK product suppliers, but also to companies offering lab construction, engineering and design services. Similarly, UK firms offering product design and development services may also see additional demand from Chinese firms.

Business as usual... for Chinese nationals

In stark contrast to many other regions, life here in China feels remarkably 'normal'. Whilst more people are wearing masks than usual (masks were already a common sight in pre-COVID-19 days due to air pollution), other everyday aspects are surprisingly ordinary. Most people have been back in the office for several months, metro carriages are full, traffic is back to normal, business meetings are happening and expos and trade shows are going ahead once again.

However, whilst Chinese nationals are free to travel to and from China (albeit subject to hotel quarantine upon arrival), China's borders have remained shut to other nationalities since 28 March. Over the past several weeks, the government has permitted entry of several chartered flights carrying foreign executives with China resident permits. Several airlines – including BA, KLM and Lufthansa – have recently also announced the gradual commencement of their China flights.

Whilst this sheds a glimmer of hope for UK businesses eager to visit their staff, customers, distributors or partners in China, it remains to be seen when the government will open its borders to non-Chinese business travellers.

Maintaining relationships

As many UK lab tech companies operating in China may have already established, relationships are often vital to commercial success in China. Whilst the China border restrictions may have provided a welcome break from Chinese banquets and excessive baijiu toasts, UK firms would be well-advised to maintain frequent contact with their Chinese customers and partners – particularly in a time when the Chinese market is moving faster than ever before. One solution is to engage representatives on the ground who can maintain relationships on behalf of UK firms. At Intralink, we've been doing exactly this recently for organisations such as Diagnostiknet, a trade association of German IVD companies, whom we'll be representing at the CACLP IVD expo in Nanchang next month.

Intralink has recently launched a new Surrogate Exhibitor service, which helps western firms that are keen to strike deals in Asia but can't get to the region's trade shows because of coronavirus travel restrictions. Through this, Intralink's multi-lingual, sector-specialist staff in China, Japan and South Korea will attend events on your behalf – getting to know your business and products beforehand, managing a presence under your brand and talking to prospective customers and partners for you.

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GAMBICA will be hosting a UK pavilion at Analytica China in November and at exhibitions across Europe as they open up again. If you are interested in joining us, contact me at Jacqueline.balian@gambica.org.uk