



BDI

The Voice of
German Industry

GHA

German Health Alliance

POSITION | HEALTH CARE | CHINA

Sino-EU and Sino-German Cooperation in Health

*How to Unleash the Health Care Sector's Full
Potential for Health and Wealth*



BDI-GHA position paper short version

The BDI-GHA position paper “Sino-EU and Sino-German Cooperation in Health – How to Unleash the Health Care Sector’s Full Potential for Health and Wealth” calls on the German government and the EU to create a better health policy framework in Germany, the EU, and around the world. The German health care industry recognizes that EU-Chinese relations are an important factor in this regard and is therefore calling for greater domestic investment in health as well as structured dialogues and cooperation with China in the health sector.

The health care industry is a key partner for ensuring patient supply and access, and the health and wealth of society – and not only in this time of COVID-19, although especially during the pandemic. The industry also has a vital role to play in helping mitigate an impending recession during COVID-19 and in its aftermath. To make the EU’s health sector fit for the future, BDI and GHA are calling for more digitalization and friendliness to innovation in German and EU health policies. Additionally, these organizations are emphasizing the need to advance a multilateral health agenda and engage in bilateral cooperation with China.

The BDI and the GHA welcome recent initiatives such as the European Commission’s EU4Health program. However, it is worrisome that the current council conclusions on the MFF 2021-2027 have accorded only reduced budgets on health, innovation and digitalization. Not only in times of COVID and impending recession this is the wrong signal. Investment in these three high-tech- areas are crucial for health and wealth and to secure the EU’s competitiveness also in future.

German Industry therefore supports and promotes a more pro-active health, innovation and digitalization agenda. They support the agenda of Germany’s European Council presidency, in particular by contributing ideas on pandemic response, strengthening multilateralism, open trade, and resilient international supply chains. Additionally, the industry is formulating recommendations for digital health on national, bilateral, and global levels. In the context of bilateral relations with China, the BDI and the GHA would like to see a structured dialogue on health in order to identify and remove barriers to trade and investment. Collaborations with businesses and research institutes can further extend these efforts. Close cooperation in the science, research, and health care fields would enable the EU and China to not only improve health care for their 1.8 billion citizens, but also to help jointly set the direction of global health policy and give it new momentum.

BDI and GHA recommendations

1 EU health policy concerns cross-industry interests and society as a whole. It therefore needs to be high on the EU's political agenda.

Health care innovation and digitalization can help improve patient access while creating new opportunities for outpatient, inpatient, and nursing care. Digitalization in health care is increasing the degree of interdependence between its different sectors (pharmaceutical, medical technology, biotechnology, IT services, and insurers).

The COVID-19 pandemic response has shown we can only be strong when governments, industry, and other actors work together. It also has made clear our need to stimulate the economy to mitigate recession and thus ensure the health and wealth of society. A German and EU-wide “health in all policies” must reflect this approach. In the area of international health policy, Berlin and Brussels should upgrade health policy in Germany and the EU, further promote global health policy, and initiate a structured dialogue with the People's Republic of China. The aim of this dialogue should be to identify and remove barriers to trade and investment and to expand these efforts by promoting collaboration in selected fields.

2 To remain competitive, the health care sector in Germany and the EU needs to do more to promote digitalization and innovation.

The European Commission's EU recovery plan, the EU's 2021–2027 budget, and the EU4Health program are welcome initiatives. They now need to be connected to existing strategies. The European Commission's AI strategy needs to place greater emphasis on the health care sector. The process of creating an EU health data space and establishing a single European health market should be accelerated. Efforts to promote research should also be increased, including better support for start-ups and a more attractive framework for venture capital.

3 Access to key export and investment markets, such as China, needs to be secured and designed to be innovation friendly.

In particular, more innovation-friendly policies need to be secured in public procurement policies. It is important to avoid promoting market access asymmetries. In the health care sector, too, there is a need to ensure a level playing field. Good progress has been made in reforming health-related intellectual property protection in China, but there is still work to do with regard to promoting the enforcement of intellectual property rights safeguards. In the area of procurement, competition is still distorted by mandatory localization rules, and procurement criteria tend to emphasize price over quality and innovation.

4 An EU-China structured dialogue on health-related market access topics should be supplemented by cooperation in the field of health.

Potential areas for cooperation include digitalization, harmonizing approval processes, establishing and developing innovation-friendly cost/benefit analysis procedures, and promoting personalized medicine. European and Chinese capabilities in these areas are highly complementary.

5 The EU and China need to work together to promote health through multilateral forums such as WHO, the G20, and the WTO.

Multilateral cooperation in this area can help provide strong momentum and direction. The key topics here are strengthening health systems, universal health coverage, pandemic prevention and response, open borders and international supply chains, digital health, and development cooperation on health.

The sheer size of the health sector is frequently underestimated

Economically, the health sector is a true heavyweight. In 2018, the health sector was responsible for 12 percent of gross value added in Germany and employed over seven million people. Its capacity for innovation is creating novel preventive, diagnostic, and treatment options for patients; its industrial research and innovation gifts society above average gross value growth rates of 5.2 percent and, as a job motor, it contributes with 4.3 percent job growth rates. In some fields, up to 13 percent of companies' turnover is reinvested in innovation. This benefits society as a whole by delivering innovative treatments for patients and providing jobs for highly skilled professionals. Digitalization is making new diagnostic capabilities and treatments possible, such as genome sequencing and personalized medicine. This enables patients to receive treatments that are more personalized and in some cases less arduous. Digitalization also enables health care systems to be organized more efficiently. For ageing societies, it creates health solutions for medical care to be delivered in a familiar environment, even in rural areas. Finally, digitalization means that various health care sectors are becoming more intertwined as the pharmaceutical, medical technology, biotechnology, diagnostics and insurance sectors, and hospital and health service providers are all becoming increasingly interdependent. The GHA and the BDI are therefore working to encourage domestic policy-makers, bodies involved in bilateral cooperation, and multilateral WHO and UN policymakers to look at the health care industry as a whole and recognize that it concerns multiple industries.

The role of German/ EU-Chinese relations

China is a key market and partner for issues relating to health policy. The Chinese government has pursued a farsighted health and industrial policy that aims to improve health care provision for the Chinese people while supporting the country's innovative health care sector, which is viewed as a key technology. The Healthy China 2030 health strategy and the Made in China 2025 industrial strategy are key pillars of this policy. Chinese health care spending is expected to reach the equivalent of USD 2.3 trillion by 2030. This offers both challenges and opportunities for the European health care sector. Firstly, it represents an opportunity to provide patients with highly innovative health care services. At the same time, there are still many barriers to market access in China, making it more difficult to use European expertise to improve patient care. The extraordinary level of government subsidies for innovation and digitalization projects in China's health care sector is giving rise to new competitors and strengthening existing ones. Germany and the EU therefore need to adapt their strategy to strengthen this key sector. The objective should be to shape innovation and digitalization policies in the health care sector in ways that enable European businesses to remain competitive internationally. Germany and the EU need to create equal market access and further exploit potential for collaboration.

Structured dialogue with China despite competing systems

In recent years there has been increasing criticism in the EU about economic cooperation with China. Successful collaborations between German and Chinese companies should not be allowed to obscure structural deficits that many stakeholders continue to identify in the Chinese market. Despite China's policy and move toward opening markets, Chinese and foreign companies do not yet enjoy equal market access in all sectors of the economy. This was outlined by the BDI and by BusinessEurope (BE) in position papers published in 2019 that described China as a "systemic competitor" and/or a "systemic challenge" – a view that struck a chord with many in the world of politics as well as society as a whole. This view was a reaction to the rapid strengthening of the Chinese economy combined with

the lack of a level playing field for European companies in global competition with Chinese businesses. In Europe, this discussion was fueled by high levels of Chinese investment in key European industries, and the European public imagined that these industries mostly benefited from Chinese state aid. The BDI and the GHA are aware that the BDI position paper initially met with some criticism and confusion in China, as well as with some recognition. However, the ensuing discussion illustrated that such position papers enable the BDI and BusinessEurope to contribute to improving mutual understanding of the other parties' points of view. The discussion also showed that presenting our analysis in a nuanced and confident way was an important factor in achieving this. This BDI-GHA position paper examines competing interests in the key health care sector, and it aims to help improve mutual understanding in that regard as well.



Addressing challenges and enabling collaboration

The prevailing opinion in the German health care sector is that the debate on systemic challenges and increasing competition should not prevent collaboration in selected areas. Instead, European health policy interests need to be asserted confidently, constructively, and in a nuanced manner through a structured dialogue that identifies and removes barriers to trade and investment.

In the context of Chinese health policy, price pressure and specific situations affecting competition present particular challenges: There is growing price pressure on innovations in China, and the Chinese government's goal of establishing a pioneering Chinese health care sector should not be underestimated. This has repeatedly led to problematic localization constraints, prioritization of price over quality and innovation, and special requirements for sectors that are still only gradually being opened up to investment. Many jumping-off points for cooperation remain nevertheless, because the Chinese government is working hard to harmonize approval processes for medicinal products internationally, accelerate these processes, build up administrative capacity, expand and improve medical insurance coverage for medicinal products, and strengthen intellectual property protections. Concrete digitalization plans have been made in the health care sector. The government launched an AI and digitalization program in 2017, with a direction that is comparable to the EU's own AI strategy that followed in 2020, and established national initiatives. Chinese investment in the health care market is rapidly increasing, and Chinese health care spending is expected to reach the equivalent of USD 2.3 trillion by 2030.

Additionally, the EU, Germany, and China can pursue common interests in selected areas and in multilateral forums. They also can learn from one another through bilateral cooperation to achieve more efficient national health policies benefitting people in both the EU and China. Examples of areas of cooperation on global health issues include strengthening health systems, pandemic response, open trade and international supply chains, and digital health. Such cooperation must be realized through WHO, the G20, and the WTO. Particularly in a time of major joint efforts in response to a global pandemic, the issue of global health has become more topical and even more important. But there is also potential for cooperation on national health care issues, because both the EU and China wish to provide their citizens with better health care, grow their economies (or secure them in a time of crisis and potential recession), safeguard their competitiveness, and better treat chronic diseases in their ageing societies. Policy-makers must not allow these motivating factors to slip away or go unused – they are important driving forces.

The conclusion reached by the German health care sector is therefore that the Chinese market is becoming more competitive, but there are potential areas for cooperation. In addition to improving support for domestic innovation and digitalization and enhancing multilateral cooperation, German and European policymakers' key goals should include a structured dialogue and cooperation with China in selected fields of health care. Such an approach is essential if the key health care sector is to remain competitive.

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Publisher

BDI – Federation of German Industries
Breite Straße 29
10178 Berlin
T.: +49 30 2028-0
www.bdi.eu

GHA – German Health Alliance
Gertrauden Str. 20
10178 Berlin
T: +49 30 2028-1699
www.gha.health

Felix Esser, Head of Department
Health Industry

Friedolin Strack, Head of Department
International markets

Editing Team

Verena Kantel,
Bayer AG
GHA – German Health Alliance China-Speaker,
Editing Lead

Ben Mayer,
Siemens Healthcare GmbH

Antonia Menzel,
Federation of German Industries (BDI)

Premarajani Sabanantham,
GHA – German Health Alliance

Addissou Striegel,
Bayer AG

Design & Implementation

Vicharah Ly, Senior Manager
Department for Marketing, Online and
Event Management

Layout

Michel Arencibia, Art Director
www.man-design.net

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