Singapore as a Platform for Global Traditional Chinese Medicine Industry

by James Xiao

The traditional Chinese medicine (TCM) market has been boosted by an increasing demand for natural alternative medicines. The limitations associated with conventional medicines are growing with the changes in lifestyle. Customer perceptions of the health benefits of TCM are undergoing radical changes.

The TCM industry has boomed in recent years. The effectiveness of TCM in both health prevention and treatment has attracted investments from Western pharmaceutical companies as well as venture capitalists. In China, Japan, Korea, Southeast Asia and the Asian communities in North America, the TCM market ranges from US$6 billion to US$20 billion depending on the source. With double-digit growth in the past years and expected over the next few years, and more and more studies on TCM appearing in first class international periodicals such as Nature, and the Journal of the American Medical Association, the World Health Organization (WHO) has estimated that the global market for herbal products would be worth US$5 trillion by the year 2050.

In China, the nation is placing emphasis on the global standards of TCM production and is strengthening technological innovations. There are more than 1000 TCM companies in China but large and medium-sized enterprises account for less than 20 percent of total business players in the Chinese market. The trend of start-ups and mergers to establish a conglomerate of TCM businesses indicates a shake-up in the industrial landscape, and shows the goal to have an industrial giant competing on the market. One example is the launch of the China Medicinal Materials Group — formed by a number of leading Chinese manufacturers, distributors and innovators of TCM. Others include the Chinese TCM companies listed on the overseas stock exchanges to attract investments in the TCM industry.

In Singapore, besides homegrown listed Eu Yan Sang International Ltd, there are other listed TCM companies from China, such as Pharmesis and Tianjing Zhongxin. The Singapore government also encourages to list on the Singapore stock exchange, which has a relatively large pool of international capital and comparably low listing requirement. Even the medium-sized TCM firms can easily get listed in Singapore compared with Hong Kong and some other international bourses, as the Singapore exchange is comparably small. The Singapore exchange also vows to strengthen exchanges between China and Singapore business communities, thus overcoming the biggest obstacle that prevents Chinese TCM firms from heading to Singapore.
In China, the changing scene follows warnings from industry experts that too many companies are scrambling into the same business with similar strategies. A lack of insight related to market expansion and low efficiency due to poor management lead to a glut in production that reduces their capability for profit. A low high-tech content in the production of TCM has prevented China from competing effectively on the world stage and has resulted in the country being pushed to the edge of the booming global business.

In Singapore, the government provides the financial support for technological innovation in the TCM sector from research institutes to industries. These have attracted some of the leading TCM companies to set up their R&D centers in Singapore, therefore bring the industry up to global standards (e.g. China Pharmaceuticals, Equation Nanatech, etc.)

TCM must be brought into the 21st century, otherwise will be missing out on the multibillion-dollar global health market. Besides the use of scientific technology to modernize this ancient art of treatment, the branding, image and service also play important roles. The Singapore company Eu Yan Sang has been successfully transformed from a traditional Chinese medicine shop into a branded retailer and manufacturer, as well as a TCM and integrative medicine service provider, making it a leader of the TCM industry in Singapore.

The concept and system in TCM management occur in essential change. In China, the government policy of medical guarantee separates the pharmacy industry from the hygiene utility. TCM, will play a unique role with a large potential of market and at a larger scale. In Singapore, the reform in the social guarantee and medical insurance systems recognize the medical leave and certificate issued by a TCM practitioner which have been accepted by some companies, as there are about 10,000 Singaporeans who visit TCM physicians everyday based on the recent survey conducted by the Singapore Ministry of Health.

Singapore has established the regulatory framework. The TCM Practitioners Bill, passed in Parliament in November 2000, came into effect in 2001, starting with the registration of acupuncturists and Chinese physicians. The implementation of regulations to control Chinese Proprietary Medicine (CPM) cover the import, manufacture, sale and supply of CPM and ensure that CPM products sold locally are safe and properly certified.
In Singapore, there are many international conferences and exhibitions on TCM each year. Such events allow for global experts to exchange information on advanced research and expertise in TCM. The TCM Research Symposium 2001 showcased a variety of TCM research activities in Singapore and around the region. This was held in conjunction with the experts from the US National Institutes of Health (NIH) in the form of a workshop for provision of practical guidance for clinical research methodology and application of research grants from the US NIH. In addition to the annual TCM exhibition, the Singapore government also has plans to establish a China Center in Singapore which will showcase specific Chinese goods and services suitable for overseas markets. Within this, a TCM center will be set up with the aim of introducing TCM products to the Southeast Asia market and other parts of the world.

Singapore offers a good springboard for TCM company bids to become players on the global market. With the recent introduction of the country’s swathe of preferential policies and its export-oriented economy, there will undoubtedly be a growing number of TCM firms eager to enhance their profile in the global marketplace and sell their products to the rest of the world. Singapore’s corporate tax rate was cut to 20 percent in March 2004, offering foreign investors a bigger advantage to run a business. In addition, the Singapore government provides a very attractive incentive termed “pioneer status,” which is a tax-free or tax-cutting treatment given to foreign investors with a run of at least 15 years.

TCM has more than 5000 years of history. It is a part of Chinese culture and also Singapore’s heritage. The TCM plays an important role in providing complementary health care. The TCM industry in Singapore is fast developing, technologically advancing and professional, and it is believed that it would have the capacity to enhance by incorporating the efforts from scientists, industries, capital market and regulators. Singapore has the potential to become a platform for the global TCM industry.

**About the Author**

Dr James Xiao is the Senior R&D Manager at Eu Yan Sang International Ltd. He was also Member of the Chinese Proprietary Medicine Advisory Committee, Ministry of Health, Singapore and Visiting Professor of the International Traditional Medicine and Health Research Association, China.

Dr Xiao obtained his MD degree from West China Medical University; MSc degree from the National University of Singapore (NUS); MBA degree from Beijing University; and TCM Certificate from the Chinese TCM Academy. He was also Research Fellow at the Harvard Medical School.

Dr Xiao has been actively involved in Chinese medicine industry development and has worked extensively with government agencies, business partners, universities and institutes both in China and Singapore. He had also previously assumed the position of Principal Investigator at the Singapore National Science and Technology Board and the Singapore Economic Development Board.