

Taiwan Trolls for U.S. Firms to Help It Create an Industry

PHILADELPHIA—A delegation of Taiwanese venture capitalists browsed the U.S. biotechnology industry this month looking for a few biotechnology companies to bet on. But like prospective home buyers driving around a neighborhood for the first time, the investors seemed more interested in scouting out the territory than in striking a quick deal.

The 10-day trip, by members of the Taipei Venture Capital Association (TVCA), was the first major foray to this country by private investors since the Taipei government announced last year that it would create a \$600 million fund to invest in the stock of biotech companies. The fund, to run for 5 years, is part of a portfolio of government programs intended to entice both foreign and domestic biotech entrepreneurs to set up shop on the island. The government dreams of one day making Taiwan "the Asian-Pacific center for R&D, manufacturing, and operation of the biotechnology business," says Sharlin Yeh, executive director of the Biotechnology & Pharmaceutical Industry Program Office in Taiwan's Ministry of Economic Affairs.

Toward that end, the venture capitalists were fishing for opportunities that would also pay off for their companies. Biotech investment "is just beginning" in Taiwan, says Clark Su, secretary general of TVCA, whose 92 member companies represent a private capital pool of \$1.8 billion. But biotech's share of that pool, two-thirds of which is invested within Taiwan, is "very, very little—0.5%," he says. Biotech investing requires specialized knowledge of several technologies that most Taiwanese venture capital firms lack, notes James Wu, general manager of Overseas Credit and Securities Inc., a Taipei-based investment banking firm.

To fill that knowledge gap, 19 TVCA members and three government officials heard from 55 companies in Northeast biotech centers near Philadelphia; New Haven, Connecticut; and Boston and met with local politicians. On offer were such evolving technologies as DNA plasmids and triple-helix constructs for gene therapy, monoclonal antibodies against cancer, drug-delivery techniques, and instrumentation ranging from a handheld blood-glucose monitoring device to ultrasonic imaging machines for distinguishing benign from malignant tumors. Yilin Zhang, president of Elim Biopharmaceutical Corp., a start-up in the San Fran-

cisco Bay area, opened his 20-minute pitch with a slide-show primer on genes. "Genes are the miracles of life," he intoned. "Every biological function is coded in the biological code called genes."

Although the topics may have been unfamiliar, the venture capitalists seemed comfortable with the biotech executives who pitched their ideas. That's no surprise, given that the overwhelming majority of the scientist-entrepreneurs were either born in Taiwan or mainland China, or had strong ties to the region. For Taiwanese investors, Chinese-American companies are "the first window to look into," says Vivien Hsieh, first vice president of the China Development Corp., Taiwan's biggest industrial bank. "If you don't have a language barrier, then you can [learn quickly] the professional language of this industry—the way they talk, the way they think—even if you don't understand English."

With that in mind, Wei-Wu He, president of OriGene Technologies Inc. of Rockville, Maryland, emphasized salesmanship over technical details to tout his company's blend of reagent manufacturing and complementary DNA cloning. "Genes are probably the most valuable commodities of modern times," declared He, who was born in Shanghai and operates a subsidiary there. Setting up a cloning operation in Taiwan, he added, would be "easy. The technology is there; it's just a matter of spending the money on it."

Dealing with Chinese-American entrepreneurs also will help the venture capitalists learn who's who in the biotech industry, says Su: "We don't know who is the best." At the same time, Su worries that some U.S. companies "may not want Taiwanese money" because U.S. venture capital is plentiful and Taiwan "is so far away."

Although the primary objective of the venture capitalists is a profitable investment, that's not the only consideration. Government officials and private venture capital investors want companies willing to move at

least part of their operations to Taiwan, in the form of manufacturing, regional marketing offices, clinical trials, or R&D subsidiaries. Only 10 homegrown biotech companies have sprung up on the island in the last decade, and Su notes that many so-called biotech companies in Taiwan are "just chemical compound companies."

The government has a lot of carrots to offer prospective industrialists. In addition to the nascent \$600 million stock fund for companies locating in Taiwan, it is touting low-interest loans and an array of tax exemptions and credits. It also will pay for trips to Taiwan by biotech executives interested in locating or forming joint ventures there, adds V. C. Chu, director of the Taipei Investment and Trade office in New York.

Richard Bernardi, president of Spectra-sonics Imaging Inc. of Wayne, Pennsylvania, says that some U.S. companies may shy away from a Taiwan connection for fear that it could hurt them in negotiating with Chinese government officials for access to mainland markets. But that concern didn't stop him

from making a pitch.

And Taiwan officials say that doing business with them will help, not hurt, foreign companies trying to gain a foothold in the region. "Taiwanese, up to this point, have the highest success rate" in getting into the Chinese market, says Yeh, who sees flare-ups between the Taiwan and mainland Chinese governments as "only politics ... among brothers and sisters already doing business."

The Taiwanese investors, many with graduate degrees from U.S. universities, seemed to like what they heard during their visit. But whether those sentiments will translate into a business partnership is another matter. "Some of them are ready to invest now," Su reports. "But the others are just looking around. The next time, maybe, they will be ready to invest."

Chris Pak, president of Molecular Targeting Technology Inc. of Malvern, Pennsylvania, and of two regional Chinese-American business organizations, doesn't want to wait even that long. Last week he headed to Taiwan for additional discussions about his line of diagnostic imaging agents. "The key thing is follow-up," says Pak.

—Bruce Agnew



Philly shake. Taiwan venture capitalist Clark Su greets Rep. Curt Weldon (R-PA) as local biotech executive Chris Pak looks on.

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