Interview with Zhang Zegong, Deputy Director-General, BPBC

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From out meeting with BPBC in 2009, we know that your slogan is to “grow up with industry.” How have you grown up since then?

Firstly, I’d like to reiterate an introduction to BPBC. We are an NPO, or non-profit organization, which is part of the Chinese government, but our goal is to promote industry development. BPBC was established in 1996 in Beijing, and if we want to judge our working results, we need to put our eyes on the development of this industry in Beijing. If it works well, we will have more strong companies emerging in Beijing. For instance, 10 years ago, Beijing was not nearly as famous today in the pharmaceutical and biotech industry in China. If you asked me to name several successful entrepreneurs in China 10 years ago, maybe the convincing answer was only one. However, now I can name 50, or even 100, and some of them have even received international attention, having developed themselves and also their companies relying on their team and intelligence. So we say that they grow together with us and we help them with the development. Talking about the biggest changes in the past 3 years, Beijing municipal government started the G20 program in April 2010, following the central government’s decision of five or six years ago to pay more attention to Biotechnology. Biotechnology is now one of the seven “strategic emerging industries” identified in the 12th Five Year Plan, and the G20 program was established to identify some bigger companies in Beijing and recognize that we need to provide better conditions and a great environment to promote them in the industry. What’s more, we try to provide more comprehensive services,

including talents, financial and policy interpretation to support them. BPBC is a professional and comprehensive organization which can provide whole-scale services to our members.

How are those companies selected as members of G20? We notice that the number of members has exceeded 20 already!

At first, the plans were to find 20 key companies through our own standards, but we soon discovered it would be too limited to put such a number on it! Our most important standard is the contribution to the industry, by gathering resources and facilitating development. We know the 80/20 rule: 80% of improvement is fostered in 20% of subjects, which is another interpretation to G20 now. When we made the standards, I was responsible for executing and operating, and in only one month, we held 20 meetings with entrepreneurs and scholars. We have a goal in phase one during the first three years of G20, that the total amount of revenue in Beijing industry should exceed 100 billion RMB. We categorized our members into 3 sectors, which are scale enlarging, innovation promoting and foreign companies according to the capital scale. Naturally, the bigger one company is, the slower it grows. We also made different goals for different companies, the profit increasing rate should keep separately as 20%, 15%, 10% for companies with capital scale smaller than 0.3 billion, from 0.3 billion to 1 billion and larger than 1 billion. The second category is innovation promoting companies. Some local companies or sea turtles have great technology on new drug discovery but they may go through clinical or even preclinical trials, so it turns negative when we assess their financial reports. But if they can go through our assessment and become accredited as strong exclusiveness and high profit potential, we will approve them as our members. The specific standard is that the profit for first two years since going public should be larger than 0.1 billion, which is really strict in China. The third group is those foreign companies, such as Pfizer, Novartis and also some companies from other provinces. In 2002, local companies including Beijing Pharma and Tongrentang accounted for 60% of the Beijing industry. In 2010, with the development of some MNCs and companies from other areas, such as Yangzi River Pharmaceutical, Xiuzheng, etc, local companies accounted for only 30%. But they have also developed very fast themselves! In Beijing, the non-local companies developed amazingly in scale, innovation input and output, and support from government, and part of our job is to help those companies strengthening better and faster in Beijing.

What is your final message to send to the international community about the G20 program?

We have never stopped analyzing and studying international environment and domestic conditions, and generally speaking, China has provided a rapidly emerging market for big MNCs and CROs from the whole world. If any company wants to succeed in worldwide competition, China will be a

key battlefield. At the same time, the environment also provided us with a great opportunity. The generic drug manufacturing and new drug discovery subsectors have grown fast recently. In the meantime, if any MNCs need to enlarge their market in China, they need to get a better understanding of the Chinese environment and policies. It takes a longer time and more energy to understand this because there are two markets which exist here: the rural market and the urban one. The urban market is similar to the European or US market while it’s a totally different story in the rural market, which also has great potential. My suggestion is that it will be more efficient to cooperate with MNCs, because our job is to develop the pharmaceutical and biotech industry in Beijing, which calls for us to work together with the best organizations and corporations. My feeling is that there are so many famous faces in the UK now, but in 2008, the slogan of Olympic Games was “Welcome to Beijing.” Well, now we also want to say, “Welcome to Beijing to cooperate and collaborate with us, we will try our best to help you.”

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