

► commercialise its cancer drug Lynparza (olaparib), which seems likely to work well alongside Keytruda. It also acquired an immuno-oncology biotech firm, Rigotec, in September for \$554m. The company says it is creating “a pipeline within a product”, arguing that it is diversified but in many different types of cancer.

Merck’s confidence recalls the period when it was one of the most admired firms in America; the Apple or the Amazon of its day. Its innovation in cholesterol-lowering drugs and HIV medicines in the 1990s gave it a reputation as a company that made society, as well as people, better.

After the millennium it took a series of blows. In addition to patent expiries came the news that its drug Vioxx, used to treat osteoarthritis, also increased the risk of cardiovascular disease. These left it risk-averse for years. But under Mr Frazier, Merck appears to have regained its focus. Fighting cancer makes historic sense. Rising cancer rates, after all, are partly the result of lifespans extended by its earlier generations of blockbuster drugs. ■

Foreign startups in China

Go east, young founder

CHENGDU

Chinese cities are competing with each other to woo overseas entrepreneurs

WHEN Maria Veikhman, founder of **W**SCORISTA, a Russian credit-scoring startup, was considering expansion abroad, China immediately came to mind. She believes the scope there is vast, for two-fifths of Chinese have no credit records. Ms Veikhman settled in Tianfu Software Park, a state-owned incubator in Chengdu, capital of Sichuan province where city authorities “offer almost everything for free”. Complementary facilities range from office space, basic furniture and logistics services to detailed guidance on entrepreneurial methods.

Chengdu aims to catch up with Beijing, Shanghai, and Shenzhen, which at present are in a different entrepreneurial league—together they have over a hundred unicorns, or private startups worth over \$1bn. The south-western city allocated 200m yuan (\$30m) in 2016 to an innovation-and-startup fund for overseas founders, and hands out up to 1m yuan in cash to well-capitalised foreign startups and joint ventures. If the founders are “top international talents”, such as Nobel laureates, the incentive soars to 100m yuan. Last March Chengdu’s Hi-Tech Zone opened an office to provide startup services for expats, including corporate registrations. Some 3,000 foreigners now work there, many

operating their own businesses.

Other cities are making similar moves. Beijing and Zhejiang have opened well-funded centres for overseas entrepreneurs. The authorities may be particularly keen on attracting venturesome “sea turtles”, meaning foreign-educated or foreign-born Chinese, but they help non-ethnic Chinese too. Shanghai and Wuhan, the capital of Hubei province, are planning new facilities for winners of international startup competitions held in China. In at least ten provinces, new immigration policies are easing the visa process. Foreigners graduating from Chinese universities can apply for two- to five-year residence permits marked “startup”. If they meet certain criteria, expatriates working for young firms can apply for permanent residence. In Zhongguancun, a tech hub in Beijing, 353 expatriates have been issued with “green cards” since 2016. A state-owned incubator there, Zhongguancun Inno Way, in 2017 incubated 878 startups; 121 of them were founded by foreigners or by sea turtles.

Three big hurdles still stand in the way of foreign entrepreneurs. Despite cities’ efforts to smooth immigration, for many founders visas are still hard to come by. Ms Veikhman has been refused a visa for months with little explanation, and has to shuttle between Moscow and Chengdu each month. Tight internet control also cuts the efficiency of starting a business. Overseas entrepreneurs must work hard to adapt to the internet environment inside the “great firewall” where Google, Twitter and many other services are blocked.

Notwithstanding the cash on offer from Chengdu and other cities, raising proper finance also remains problematic. Capital controls make it difficult for venture-capital firms that use yuan to invest in foreign entities; they usually have to enter a joint venture with a Chinese citizen. Local investors tend to prefer backing fully Chinese enterprises.

Yet the country’s other attractions are

potent. “Even a niche market in China is a huge one,” says Greig Charlton, a former British banker who has run 247tickets.com, a ticket-purchase website, in Shanghai since 2014. Thanks to the promise of online ticket-booking in China, a relatively inexperienced entrepreneur like Mr Charlton has the opportunity to work with some of the world’s biggest concert-promoters.

A deep pool of talent is another lure—the reason why, for example, App Annie, a market data and insights provider co-founded by a group of European entrepreneurs in Beijing, maintained its R&D centre in Beijing even after it shifted its headquarters to San Francisco. When Stuart Oda, a Japanese entrepreneur, co-founded Alesca Life, a Beijing-based agricultural-technology company, he found young Chinese executives far more willing to take a risk with a startup than Japanese ones were.

Low labour costs as well as preferential land and taxation policies also help startups. In the internet realm prominent examples of those founded by foreigners in China are Qunar.com, a popular travel portal, and Tudou.com, which merged with Youku, another startup, in 2012 to become China’s biggest video-streaming platform. Qunar.com was co-founded by Fritz Demopoulos, an American. A Dutch serial entrepreneur, Marc van der Chijs, co-founded Tudou.com.

What explains the warmth towards overseas entrepreneurs? Lin Tao, a senior official of Chengdu’s hi-tech zone, gives a simple answer. Chengdu wants to turn itself into a cosmopolitan city like New York and London by 2025, and “the gathering of global talents is a precondition”, he says. Another entrepreneurial type, Steven Tong, chief executive of Startupbootcamp China, cites the government’s desire to develop cutting-edge technologies. It also wants to promote a favourable view of China, he notes, and that is far easier to achieve with startups than with established multinational companies. ■



The coffee's on us