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GLOBAL BIOPHARMA INDUSTRY SEES OPPORTUNITY IN RUSSIA

Top executives from companies as diverse as Medtronic, Pfizer, EADS, Google, Sanofi Pasteur and Greylock Partners descended on Moscow for the inaugural Open Innovations Forum in Moscow last November. The event that brought them together — along with the likes of Russian Prime Minister Dmitry Medvedev, Richard Branson, celebrity journalists as well as MIT and Harvard professors — was a conference dedicated to a range of high-tech sectors, with a particular focus on biopharmaceuticals. G. Steven Burrill, whose firm established a Moscow office the same month, gave a keynote speech at an Open Innovations Forum panel discussions dedicated to venture investments in the pharmaceutical sector. The panelists discussed a number of new opportunities in Russia for both R&D and the production and commercialization of advanced biopharmaceuticals. The Russian government is offering lucrative tax privileges and access to superior research facilities to foreign companies ready to locate technology and expertise in Russia. It has also taken a series of measures to stimulate private investment in healthcare, in particular by eliminating the tax on profit for private clinics. The American drug developer Selecta Biosciences established a Russian subsidiary and research center in Russia last fall. Major life sciences investors such as Domain Associates have also taken notice; Domain invested millions of dollars in its Russia-focused venture in 2012.

There is substantial unmet demand for modern life sciences products in Russia. The government is modernizing a decaying healthcare system by building new hospitals and introducing innovative technologies. Russia's sovereign investment funds are backing innovative industries and supporting international co-investment. The government is working directly with business leaders to improve the country's attractiveness as an investment destination. According to its Chairman, Vladislav Surkov, the Open Innovations Forum was established to be, "a venue for discussions with our foreign partners...to achieve practical goals in the form of research and development projects". In fact, considerable progress has already been made toward these goals, as a biotechnology revolution gathers steam in Russia.

RUSSIA COMMITTED TO BUILDING A GLOBAL BIOTECH HUB IN MOSCOW

Perceptive international investors have sensed the change in the landscape of healthcare and medicine in Russia. What has changed? The government is backing its optimistic words about fostering technological innovation with billions of dollars in investment. Life sciences and biopharmaceuticals have been central to this investment program. Mr. Burrill called the Russian government's "significant commitment to invest capital to build an innovation-driven life sciences industry and modernize its healthcare system" a major factor for his decision to expand there. Regulations have been pared down to make it easier for foreign companies with advanced technology to establish laboratories and manufacturing centers in Russia. The government has extended its full support, often in the form of co-investment, to foreign high-tech companies seeking entry to the rapidly growing Russian market.

The Russian capital Moscow is the educational, economic and political hub of the region. It has a huge academic and scientific establishment and a highly educated workforce: over 241,200 people are employed in research and development. While private medicine is growing in Moscow, the government remains the largest consumer of healthcare products and all major decisions concerning government policy on healthcare are made in the capital. The Moscow City Government has undertaken major projects to transform abandoned and underutilized industrial space in the city into world-class laboratories and manufacturing centers for nanotechnology, biopharmaceuticals and other advanced applications. The City of Moscow is offering foreign companies special customs and tax regimes as well as full connections to infrastructure and fully equipped spaces in an effort to combat the outdated perceptions and stereotypes.

SKOLKOVO EMERGES AS THRIVING HIGH-TECH COMMUNITY

One of the most prominent government effort in the high-tech arena is the creation of a Russian Silicon Valley in the form of the Skolkovo Innovation Centre, a complex of high-tech clusters where project participants are provided with the assistance necessary for development. More generally, Skolkovo seeks to concentrate international intellectual capital in Russia to create the conditions conducive to technological breakthroughs. Open Innovations, which was organized by Skolkovo along with other state agencies, can be seen as an effort to collect some intellectual capital by bringing some of the top figures in the biotechnology field together to share their expectations on future global trends.

Skolkovo resident companies include OncoMax, a developer of new diagnostic and therapeutic anti-cancer agents; *continued* ►

SELECTA SETS UP SHOP IN RUSSIA

Skolkovo is not the only Russian government-backed vehicle taking the lead in the future of the life sciences industry.

In November 2012, Selecta Russia, which is wholly owned by Selecta Biosciences, opened a research center in Khimki, just outside of Moscow, at the ChemRar High Tech Center. The center will develop immunology related therapies consisting of Selecta's proprietary Synthetic Vaccine Particles (SVP™) nanotechnology platform and clinical stage compounds in-licensed from biotech and pharmaceutical companies.

Selecta clearly has seen Russia's promise for the biopharmaceutical industry. Its President and CEO, Dr. Werner Cautreels, has left Massachusetts to live in Moscow and run the Russian subsidiary. Dr. Cautreels said Selecta Russia will "incorporate the needs of patients in emerging markets into our product profiles." Russia is clearly not ancillary to Selecta's plans, but rather a major trajectory for the future growth of the company. Selecta will create innovative drugs based on nanomedicine platforms from MIT and Harvard Medical School and has established a subsidiary in Russia to access its scientific and clinical expertise and position themselves in the domestic market.

continued ► TheraMAB, which is researching an innovative immunotherapeutic antibody for personalized medicine; and Innovative Technologies, a maker of neural prosthetic devices. These are just a few examples of the many Russian innovative ventures that have already taken root at Skolkovo. Another major investment in intellectual capital was Skolkovo's partnership with the Massachusetts Institute of Technology (MIT) to found a university and life sciences incubator. The MIT Skoltech Initiative aims to integrate education and research and establish a culture of innovation and entrepreneurship within Skolkovo. Biotechnology will be a central research area of the institute, which will help attract and retain world-class talent in Moscow.

RUSSIA HAS SEEN THE FUTURE, AND IT'S HIGH-TECH

With the weak global financial environment leading investors to seek havens from risk, younger companies in need of funding are beginning to look outside traditional sources. New players in emerging markets are filling the gap by supporting forward-looking enterprises. Unlike its emerging market peers, Russia has a long and distinguished tradition of advanced scientific research, especially in the theoretical sciences. Western observers are increasingly recognizing the Russian government's seriousness about developing its domestic high-technology and science-related industries.



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