

Motivations and barriers to Overseas Chinese investors in New Zealand life sciences industry

Author: Zhenzhen Li

Access to financial capital from Asia is of increasing importance to New Zealand’s life sciences industry. China with its large and fast growing economy, offers attractive scale for New Zealand companies seeking new capital and markets. The Overseas Chinese in New Zealand¹ can provide essential, business and cultural channel between New Zealand and East Asia including China.

Pacific Channel Limited has sponsored this research to gain an understanding of the decision making process of Overseas Chinese investors and accordingly develop a strategy to communicate life sciences investment opportunities to Overseas Chinese investors to increase the chances of successful capital placement. This is the first study of Overseas Chinese investments into New Zealand life sciences and this article summarises its principal findings and recommendations.

The findings are derived from one-on-one semi-structured interviews held with New Zealand based Overseas Chinese and New Zealand life sciences investors. The research identified key motivations and barriers to Overseas Chinese investors when making investment decisions. A summary is presented in the table below.

Motivations	Barriers
Ease of doing with New Zealanders.	<p>Communication</p> <p>The Overseas Chinese investors interviewed believed that New Zealand has innovation but has no communication channel to inform the Overseas Chinese investors in New Zealand.</p>

¹ For the purpose of this study, Overseas Chinese are defined as those that have investments in NZ (not specific to any industry) and/or have been educated in New Zealand, and/or have family in NZ.

	<p>Both the Overseas Chinese investors and New Zealand life scientists experience language difficulties, which limits the continuous exchange required to advance investment opportunities.</p> <p>Investment and business opportunity documents are often presented to Overseas Chinese in English.</p> <p>Trading/investment disconnect: Overseas Chinese investors' prefer investment in tradable products and have limited interest and understanding of New Zealand Life Sciences.</p>
<p>A long history in innovation. Excellence in science, agriculture, research and education.</p>	<p>Leading on mortality rates in investment offer documents is an interest killer.</p>
<p>Powerful "green" national image.</p>	<p>No established access to NZ's life sciences investment networks. New Zealand's life sciences industry is under promoted and there is a lack of trusted intermediaries and information available to Overseas Chinese investors in New Zealand.</p>
<p>Business and investment linked processes for immigration.</p>	<p>Differences in business and negotiation process.</p> <p>Overseas Chinese believe in face value and long term relationship, where as contracts and transactions dominate New Zealand dealings.</p>
<p>High integrity part of New Zealand's business culture and the lack of corruption.</p>	<p>The Overseas Chinese prefer tangible and low-risk investments (eg.real estate). Overseas Chinese investors are sometimes interested in dairy products, nutraceuticals and innovations in agricultural technology, but few have interest in pre-market medical innovation.</p>

Following recommendations are made based on the findings to facilitate investment into New Zealand's life sciences industry from Overseas Chinese investors.

1. Inter-government dialogue between China and New Zealand to
 - facilitate and increase life science research collaborations
 - increase commercialisation collaborations
 - increase awareness of New Zealand life science innovation amongst Overseas Chinese
2. Creation of a dedicated business and investment network for New Zealand based Overseas Chinese investors with an interest in early stage investments, e.g. regular round-table meeting, website information, email updates.
3. Regular one on one meetings between Overseas Chinese investors and existing New Zealand investors that actively invest in life sciences and investment advisors to develop a long-term trusting relationship ("guanxi") to secure investments and co-investments in future projects.
4. Engage Overseas Chinese that are educated in New Zealand as intermediaries as they will have the knowledge and cultural understanding of the business practices to establish an ongoing business relationship between investors.

By: Zhenzhen Li, July 2011