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MEETING WITH HUNGARIAN BIOTECHNOLOGY COMMUNITY

REPORT

MEETING PURPOSE

To raise awareness of Hungarian excellence in biotechnology, to strengthen ties between the Hungarian and U.S. biotechnology communities and open discussions for new cooperative activities.

PARTICIPATION

Hungarian Participants: The Hungarian delegation, which included key members of the Hungarian biotechnology community, was led by *Deputy State Secretary, Dr. Ábel Garamhegyi* and *Mr. Erno Duda, President of the Hungarian Biotechnology Association.*

U.S. Participants: Members from diverse areas such as the government, the business sector and the academic community represented the U.S. role in the field of biotechnology. This group included **Mr. Michael Hale**, the managing director of International Affairs for *the Global Biosecurity Group*, the host organization of this event. The meeting was co-chaired by **Mr. George Handy**, *Director of the Euro-Atlantic Action Commission, CSIS* and **Ms. Anne Solomon**, *Senior Advisor, CSIS.*



MEETING HIGHLIGHTS

The event was opened with remarks by from Ambassador Andras Simonyi:

- Hungary is in the midst of a well-organized revolution in technology, involving new processes, capabilities and opportunities.
- The young architects of Hungary's technological revolution draw on rich intellectual and scientific traditions.
- Hungary's successful integration into the E.U. does not mean that Hungary will lower its cooperation with the U.S. – nor the growth of that cooperation in the future.
- Hungary invites U.S. participation in its technological revolution and through this meeting and trade mission seeks to find strong U.S. partners for promising new biotechnology opportunities.



HUNGARIAN PRESENTATION:

Hungary: The Ideal Environment for Biotechnology Cooperation and Investment
PRESENTATION BY DR. ABEL GARAMHEGY, Deputy State Secretary, Ministry of Economy and Transportation:

- Hungary has a favorable investment environment
 - Dynamic macroeconomic growth, favourable real exchange rate
 - Hungary: a bridge between East and West, 4 Pan-European Corridors
 - Well developed telecommunication and highway infrastructure
 - The highest labour productivity in the region, motivated and qualified workforce is available
 - Highest Foreign Direct Investment (FDI) stock per capita in the region
- FDI Growth is a Major Focus of Hungary's Government Policy
 - Hungary's FDI stock per capita has been higher than many other countries in Central and Eastern Europe
- The U.S. has strong economic ties with Hungary
 - The ratio of U.S. investments in Hungary is higher than any other Central and Eastern European country
 - The U.S. is one of the leading foreign investors in Hungary

- Policy aims to foster research and development (R&D), innovation, high added value and the development of a knowledge based economy in priority sectors such as biotechnology
- The Investment Incentive System
 - Direct investment subsidies include tender applications in the framework of the Economic Competitiveness Operative Program (ECOP); special incentive package for strategic investors; subsidy for employment creation and training
 - Tax incentives
 - The supplier development program
 - ‘One stop shop’

Biotechnology Trends and Growth in Hungary

Presentation by Erno Duda, *President, Hungarian Biotechnology Association:*

- Assets of Hungary’s Biotechnology Industry
 - A national pharmaceutical industry dating back to the early 1900s
 - A vast presence of large international pharmaceutical and biotechnology firms
 - Involvement not only in sales and marketing but also early and late stage R&D and manufacturing
 - High quality research base and human capital
 - Cost efficient professionals
- Achievements and Initiatives in Progress:
 - Six regional knowledge centers at major universities With significant state funding of ~\$50 m over four years – three of them with clear focus on biotechnology and biomedical research
 - Cooperative Research Center program Allows companies to build up joint infrastructure at major universities, and to join in to pre-competitive research at a very early stage
 - New SME financing program with state support to provide pre-seed and seed financing
 - Partially state-financed biotechnology incubator program
 - New Bayh-Dole-like “Innovation Act” passed in 2004

Biotechnology Opportunities – Hungarian Business and University Experience

Presentations were made by each of the following business and university leaders:

- **Dr. Gábor Kálmán**, *General Manager, N-Gene Research Laboratories, Inc.*
- **Mr. István Molnár**, *General Manager, Biopolisz Innovation Services Ltd.*
- **Dr. Péter Ferdinándy**, *CEO, PharmaHungary*
- **Mr. László Puskás**, *General Manager, Avicor*

- **Dr. Csaba Szabó**, *Director, Semmelweis University, Technology Transfer Office*
- **Dr. István Peták**, *CSO, Rational Drug Design Laboratories Cooperation Research Center*
- **Dr. Richárd Schwab**, *CEO, Human Biotechnology Cooperation Research Center and Biomedical Innovation Center and Incubator House*
- **Ms. Judit Balogh**, *Investment manager, GenomNanoTech*
- **Mr. Iván Rózsa**, *Head of Marketing, ComGenex*
- **Mr. Gábor Heltovics**, *Business Development Director, Solvo Biotechnology, Inc.*

U.S. OBSERVATIONS ON BIOTECHNOLOGY MARKETS, OPPORTUNITIES AND COOPERATION:

Mr. Michael Hale, Managing Director of International Affairs at the Global Biosecurity Group:

- The Global Biosecurity Group (GBG) puts companies and funding together, funds innovative programs and technologies internationally, works with the U.S. government to divert funds from defense to early-stage investment.
- Hungary and the U.S. have a number of challenges in common. For example, neither can fully rely on grant money, meaning that private investment is crucial, particularly venture capital.
- GBG wants to highlight to Hungarian university professors and students that private capital is vital, positive and enables cooperation.



Ms. Pace Lochte, *Director of Virginia Gateway at the University of Virginia:*

- The University of Virginia (UVA) has for a number of years engaged in cooperation with Hungary in areas of mutual interest such as IT and biotechnology.
- Successful technology ventures among universities and with the private sector must,
 - 1) Be mutually beneficial
 - 2) Engage faculty members
 - 3) Have money for travel, which is imperative because it enables the necessary human interaction to secure support for research at the seed stage and beyond.

- UVA's School of Medicine supports a wide range of international interdisciplinary research, which is of interest for possible joint projects.

Mr. Michael Werner, *President of The Werner Group*:

- U.S. biotechnology companies currently face two main challenges:
 - 1) Pressures to reduce the cost of medicines. Entrepreneurs must demonstrate the value of their products in order to justify high prices.
 - 2) Gaining FDA product approval. Companies must prove that their products are safe, effective and developed in the most cost-effective and timely manner.
- Areas of opportunity for Hungarian biotechnology companies in the U.S.:
 - 1) Bio-defense. Since 9/11, the U.S. government has allocated substantial funds (billions of dollars) to this area.
 - 2) Personalized medicine/molecular diagnostics. A major area of growth in the U.S.. Requires the use of genomic information by regulatory agencies and companies aiming to provide targeted therapies.
- Grant money exists in the U.S. for core blood research and adult stem cell research despite public controversy. Funding for stem cell research can be found at state governments as well as U.S. national government level.
- U.S. patient advocacy groups and physician organizations have money and influence, and are therefore potentially beneficial partners.

Dr. Charles Wessner, *Director of Technology, Innovation, and Entrepreneurship at the National Academies*:

- Maintaining the trans-Atlantic relationship is critical.
- The U.S. system for R&D is porous and goal-oriented.
- As documented by the OECD, Hungary's system is very open in terms of
 - 1) Mobility of human capital
 - 2) FDI
 - 3) Openness to new research ideas
 - 4) Concrete collaboration
- Regional efforts are increasingly important, particularly for relatively smaller countries such as Hungary.
- In the U.S. regional stem cell research efforts have aimed to circumvent limitations imposed by the federal government.
- The circulation of human capital across the Atlantic, as this Hungarian delegation demonstrates, is beneficial in that it enables people to form networks of contacts, activities and access.