

Transcript of the Interview with David Zhang (张颖)

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David Zhang (张颖)

Founding Managing Partner, Matrix Partners China (经纬中国)

Industry: Business

David Zhang is a founding managing partner of Matrix Partners China (经纬中国), a leading venture capital fund, and oversees all its China operations. Previously, he was the managing director and Beijing office head for WI Harper, another venture capital firm, where he oversaw all investments, portfolio management and operations in both life sciences and IT in China. David joined WI Harper in late 2001 as an associate in the San Francisco office and moved back to China in 2003.

Prior to joining WI Harper, he spent time at ABN AMRO Capital and before that at Salomon Smith Barney, the investment banking arm of Citicorp. He also contributed to studies at UCSF as a research associate and participated in the High Throughput Genotyping Project for multiple sclerosis for the Department of Neurology.

David was born in Shanghai, grew up in the United States and holds a MS in Biotechnology and Business from Northwestern University and a BS in Biology and Chemistry from California State University, San Francisco.

Transcript

Interviewee: David Zhang (张颖)

Interviewer: John Delury

Date: June 9, 2010

Place: Beijing (China)

Clip 1

2:08:01

John: how the boom made it possible, the route you've been on?

08:

DZ: ok...So, um, My name is David Zhang, I was born in 1973, in Shanghai, moved around with my parents during the cultural revolution, and we first lived in the Shandong province, in the city called Taian. I was there for 6 years, and then we moved to Anhui Province. And I was there for 8 years, so in 1987, given that one of our family relatives was residing in the US, we were amongst the first wave of people after the open door policy to immigrate to the US.

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So we settled in SF in 1987, my parents, myself, being the only son, so a family of 3, I went to last year of middle school there, high school, college, and then after my college major in biology and chemistry, and then worked in UCSF/Stanford Medical Center for about 2.5 years doing cancer research before going to Northwestern for my Masters in biotech business. And then moved down to the business side because I wasn't convinced that I could be a very good scientist or researcher. First joining Solomon Smith Barney, the Citigroup's corporate investment arm, sorry, corporate finance arm, and later on joined Abm amerl(?) Capital briefly in the capacity of direct investment in the Bay Area, after about a year there, during the lowest point of the internet bust, the bubble, I then joined WI Harper Group, that's W. I. Harper Group, as I mentioned to you earlier, W. I. Harper Group is one of the earliest venture capital firm doing cross border investments between US and China. So in that capacity, I moved to China 6 years ago on behalf of W Harper and worked in the Beijing office. And earlier this year, January of 2008, We formed a affiliate fund with Matrix Partners US, one of the top venture capital firms in the US on the East Coast. So what I do on a daily basis is making private investments into private companies. In the Internet, in media, wireless, healthcare, and consumer service sectors. basically looking for the first breed of private entrepreneurs.

3:04

The first or maybe the 2nd wave of entrepreneurs in China. Giving them the funding that they needed so that when their company becomes big, eventually when they go IPO, or they get brought by larger companies, we profit from that.

3:17

It's a very traditional venture capitalist model. So in that capacity, whether as a businessman, I've witness sort of the economic boom for the past few years. And if I can narrow down a little bit, just the growth of venture capitalists in China itself has been phenomenal. You know, the changes that occurred in the 5 year period time is just fascinating.

3:50

I liken it to, being one year in China, in my capacity of being a venture capitalist, is like being in the US for 5 yrs. Just like, everything is happening at warp speed. Um

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people in China, from the lowest level to the highest level, everyone now is openly and actively thinking about how to better their life for the first time. They're not going to be punished for making

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money and for doing better. and Chinese people, originally, historically, being sort of the most entrepreneurial, or one of the most entrepreneurial race, or people, in the world as is, so now have this opportunity to do well. So we have seen a fantastic growth, and you know, tremendous growth in venture capital, in technology investment, and in private entrepreneurship.

4:58

John: From your personal background, you've experienced a lot of last 30 years of history, both in China and also in the US, to what extent is the result of those forces domestically erupting/being unleashed, and to what extent, because it coincides w/ another wave in globalization. to what extent is it possible because of the infusion of global capital and know how, and the global market? how do you analyze the balance of the forces? external and external?

5:40

DZ: yea, this is a very complicated and very difficult question to answer. So um...you know, coming from my point of view, if I just dumb it down a little bit. I think um it's about time, you know, from the Qing dynasty up until the, you know, the most recent Chinese history, it's been well over 100 plus years that Chinese is on a steady decline. You know, if you're using the Tang dynasty as sort of the peak, and you know, what China used to be, you know, up until maybe 15 years ago. You know, it's as low as it gets. So from a historical point of view, from a simplistic point of view, it's about time.

6:30

Now, to to...so, to answer your question, many factors contributed to sort of the economic growth, the boom stage of China as is. I think it's you know, people in general wants betterment for their life. You know, Chinese people in a way, are very easily manipulated and I think they're very obedient, but you know, given this long span of time, given you know, the level it...the (gratitude???), it's about time.

7:05

So I think you have the internal desire. I think also the government starts to see you know, a...they could achieve stability through economic growth. The past few change of Chinese governments in the highest level have all recognized you know, after Deng Xiaoping's open door policy, they've all embraced the idea. So

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if you want a stable China, it must to come from economic growth. You also have globalization, that's affecting this as well. So I think it's all intertwined. And, which led to today.

Once it got on to this you know, once the train left the station, and gradually...you know, once people start seeing the things that they're not accustomed to seeing, or didn't have the opportunity to, the desire just picked up and you know...sort of

7:57

the train picked up the speed. That's my understanding.

8:01

John: That's a good metaphor. Another way of accounting for the boom is that it's the very sort of, lack of certain protection. Lack of protections on exploiting natural resources and environment, workers/labors, and you have this huge labor pool that can move around the country and that can keep the rates of growth going. how do you view that explanation? how much in you work do you see that accounting for what's going on? What's your perspective on that?

8:39

DZ: So, those type of exploration...or those type of unjust, or those type of eh...you know, the pollution level, whatever, the traffic jam, you know, those are all byproducts of a hyper-economic growth. We see it every day, it is very drastic, it is very serious. But that's part of the hyper-growth. You know, if you think back maybe during when when when America was going through this hyper-growth, you know building railroad, industrialization, it comes with lots of you know eh...injustice. it also comes w/ lots of problems, pollution, you know, exploitation of the weak and the poor. I'm not saying it's normal, but I'm saying it's directly tied to the hyper growth of the economy right now.

Um...

09:38

Will it get better? The answer is I hope so, an I think so. But it definitely will take some time.

Will the pollution get better? yes. The government is really trying to do the things, but it's quite diff if you're in Beijing or Shanghai, it's clearly getting better. You know, all the heavy machinery are moving out, all the factories are being pushed out, maybe it's because of Olympic, maybe because it's of World Expo, maybe it's because the government needs to put up a front for int'l bodies to see.

10:14

But at the same time, it's clearly getting better. But at the same time, if you go to provincial levels, and go to third tier cities, pollution is still you know, very very bad, and to a certain extent. It's probably worse because of the economic growth, because the pressure people face of making money. So

10:34

I can only say I'm not surprised. you know, maybe, being here for a little bit too long. On a personal level, you know, I'm gaining, unprecedented, sort of opportunity and growth for personal career. But at the same time, you know, I'm sacrificing perhaps cleaner air, fresher air, you know, I have to put up w/ pollution, traffic jam. you know, um, the low degree of service quality. many things right, so there's always a trade off.

11:10

John: What about um...looking at the boom, and how it's been created in terms of diff generations? Um, you know, your parents generation, what role did they play in it. maybe the first wave, and how did that...did they kind of pass it off to your generation? How say, would young people now um, you know, are they...they're coming in w/ such diff historical differences, um how do you think they're maybe contributing diff things to the boom, or getting diff things added.

11:48 (Corrected TC: 14:00)

DZ: It's also, again it's a very difficult question to answer. So from my parents' age, you know, right around, early 60s, um, I think they missed the boom completely. You know, they're not a participant, they're only sort of witness to it? um, you know, maybe because the boom only happened in the past um 15, 20 years, maybe even 50 yrs.

12:12

So to a large extent, they have kind of missed it. Um, the younger people, you know, I think the people who are in the 30s, to 45, or 50s, they're the active, they're the biggest contributors and participants of the boom. people like me, you know in their mid 30s, you know, we're in the thick of it, and we're just lucky. You know

12:37

We're riding this wave as it becomes bigger and bigger, and you're taking advantage of you know, the market, you're taking advantage of your prior experience, whether it's from the US or domestically, you're at an age that you know...this is...the sky is the limit.

Um, for the people who are in the 20s, or even younger, I think um, you know, they're seeing a whole diff view about China, and they're probably a lot more capitalistic than US or Europe than you can imagine.

13:14

So they're coming in w/ very diff view, they don't have the baggage of the prior...you know, the turmoil, the conflicts, you know, the downturn. So to an extent, they may be too confident, they may be too cocky, and they may be a little bit illprepared, because many of them are being the only child, the single child. You know, have led a very sheltered life. Um...so.

13:44

John: keep asking you difficult questions. This question is about the future. What do you see, you described the boom you know, as the last 15 years, and we have a 30 year period since reform and opening. When you step back, you know, you're interested in Chinese history, when you step back and look at it, you know, how long a historical period do you think we're in right now? Is it a basic system as it is with sustained economic growth, political stability, kind of the status quo...

DZ: how long it will last

John: yea, do you see that going on for another 30 years, another 100 years, or do you think we're on the cusp of a new boom moving China into a direction that people are not anticipating?

14:40

Hmmm. *pause* So 30 years since open door policy, but you know, I discount it, you know. I see the real growth as happening you know, maybe for the past 10 years? You know, that's where the real growth is in? You know, if you liken it to a train leaving station, Maybe we have just picked up enough speed to be cruising, to be sort of cruising speed. So I think this I see this lasting for at least another 10, 20 year, at the current clip, my current clip is maybe 7 to 10% GDP every year

15:21

So what if it drops to 7%, it's growing a lot higher than eh the country...I mean, this century, I believe, belongs to China. You know, whether people like it or not. This is the fact. China you know, is very rich, and they have lots of foreign reserves. They're going to throw their

power around. We've already started to see that they're trying to dictate a lot of standards in telecom, in media, in other areas. And...eh, the Chinese corporates will at some point start buying up US assets, US companies, European companies, around the world. It's just unavoidable.

Um, politically I think um, you know, this is really out of my reach. But I think they're doing quite good job, I think the government you know, if I just trace it back, right now it's June of 2008. If you look back at the earthquake, I think the Chinese government has done fantastically, good PR, and overall rescue job. So they are learning along the way. The snow storm earlier of this year, they did not do as good. You know, and the Tibet fiasco, they did not do as good. So I think they're learning a lot, and doing quite good of a job.

16:44

um, so, if someone you know, says, the China Boom will end in 3 or 5 years, I don't believe it. But I think it'll definitely last more than 10, 15 years at the current clip. It'll definitely go through ups and downs right...I mean, currently, the Chinese stock market has gone from 6300 to 3000. You know, basically, halved. So a lot of a people have lost money, I don't think it'll be a very smooth ride, but nevertheless, it's happening at a much higher growth.

17:17

John: thanks....one last thing, do a on camera interview as a release that you understand the nature of the project....

DZ: it's an interesting project I want to help...

Clip 2

DZ speaking

Diff shot of this part of convo in clip 1, better shot of DZ

4:09

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4:23

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Clip 3

another diff shot...2nd part of the convo, from where he says "Chinese people being easily manipulated..."

Notes

1. Jack Ma, Gavin Ni, and David Zhang all would agree that
 - a. People in China want to better their lives and they are no longer punished for making money
 - b. China's opening comes from internal desire as well as government seeing economic growth contributing to stability
 - c. Reform and opening brought about unprecedented opportunities for people of their generation, people in their 30s, 40s
 - d. R&O opened up opportunities for people without any background and connection
2. Exploitation/pollution are both natural byproducts of the hyper economic growth.
3. Main diff between the Jack Ma and David Zhang is that Jack Ma (although he doesn't say this directly) seems to put emphasis on the growing occurring since China's Reform and Opening policy, but Zhang dates real growth to the past 10, 15 years. Gavin Ni (although his clip is noisy and cut off *see clip 5 of GN*) would divide econ growth from 78-92, then 92 to present.
4. DZ's opinion of the government is that they're learning as they go along, but doing a good job.
5. Sees growth lasting for another 10, 15 years, but it will be a bumpy ride.

David Zhang(张颖)

Profile here:

http://matrixpartners.com.cn/index.php?option=com_content&view=article&id=28&Itemid=29&lang=en

David Zhang is a Founding Managing Partner for Matrix Partners China, and overseas all operations in China. Previously, he was the Managing Director and head of the Beijing office for WI Harper, where he oversaw all investments, portfolio management and operations in both life sciences and IT in China. David joined WI Harper in late 2001 as an associate in the San Francisco office and moved back to China in 2003.

Prior to joining WI Harper, he was a senior venture associate with ABN AMRO Capital and was responsible for developing and executing various acquisition strategies for life sciences, information technology, and Internet companies. Before joining ABN AMRO Capital, David worked at Salomon Smith Barney (the investment banking arm of Citicorp), where he was responsible for analyzing, structuring and marketing companies in the Internet, software and semiconductor sectors. He also spent time at UCSF as a research associate and participated in the High Throughput Genotyping Project for multiple sclerosis for the Department of Neurology.

David played a fundamental role in the formation of Matrix Partners China and in all of its recent investments. Previously, he was also instrumental in the establishment and growth of WI Harper's Beijing operations. While at WI Harper, David was responsible for investments in Cardiva, Celestry Designs (Sold to Cadence in 2003), Focus Media (NASDAQ: FMCN), iKang Healthcare Services, 3G.cn, Mapbar, Maxthon, Daqi, China Diagnostics Medical Corporation, Verisilicon, and others. David was born in Shanghai, grew up in the United States and holds a M.S. degree in biotechnology and business from Northwestern University and a B.S. in biology and chemistry from California State University, San Francisco.

**The full-length video of this interview is available in the online repository of Rutgers University Libraries: <http://rucore.libraries.rutgers.edu>*