Opinion Leader: Dr Yves Gingras

The “Quebec model” and the end of BioChem

By Dr Yves Gingras

The announcement on July 31, 2003 of the closure of BioChem Pharma sent shock waves through Quebec’s scientific community. Purchased barely two years ago by Shire — the British pharmaceutical giant — BioChem was Quebec’s flagship biomedical research company. Despite the fact that Quebec’s biotechnology community is still engaged in intense negotiations to find buyers, Shire has refused to postpone its plan and effectively began on September 5 to dismantle the laboratories and disperse the team. Whatever the future developments, this event gives us an exceptional occasion to reflect on the kinds of interventionist strategies used by governments to promote research, development and innovation.

The policy aspect here is central because IAF Biochem — created in 1986 and renamed BioChem Pharma in 1992 — profited handsomely over the years from the generous policies of the Quebec government (and to a lesser extent the federal government). These included R&D subsidies, stock share tax breaks, and support from the Caisse de Dépôt and from the Fonds de solidarité des travailleurs FTQ — elements of the so-called “Quebec model”.

By supporting local investors to keep control within the province, the Quebec government’s policies during the 1980s allowed BioChem Pharma to grow to the point of being noticed, then bought by foreign investors. From a free market perspective, there is, strictly speaking, nothing wrong with that, so long as public funds are not involved. However, those who believe that the state (be it Québécois or Canadian) must play a role in stimulating the growth of local firms are faced with a structural contradiction — use public funds to expand local firms, and once they are sufficiently profitable, watch as they fall prey to huge multinationals. Once they have been acquired, these firms are but pawns in a global marketplace in which Quebec has precious little weight.

Given its interventionist policy, it seems strange that a Parti Québécois government agreed to the sale of BioChem in the fall of 2001. When then-premier Bernard Landry applauded its sale to foreign buyers, he was convinced the transaction would result in benefits for Quebec. In a television interview on Radio-Canada on December 11/01, he stated that the takeover would “favour growth because, by increasing its size, the empire increases its means, and creates more jobs and does more important research, makes more discoveries, more products.”

Landry apparently did not consider the possibility that the empire could also change its strategy and eliminate one of its pawns without warning. As a Montreal lawyer and member of Shire’s board of directors casually remarked, “It’s a shame that this should happen to an operation in the Montreal region. But these cuts could have been made in any one of four or five large Shire installations throughout the world.”

RESEARCH TEAM DESTROYED

By closing the research laboratories (instead of selling them en bloc for example) to concentrate on providing pharmaceutical drugs to medical specialists, Shire is destroying a major research team. Millions of publicly invested dollars have gone up in smoke or, more precisely, into the pockets of private shareholders. This episode reveals the shortcomings of an interventionist policy that fails to live up to its ambitions, or that lacks the means to live up to them and succumbs to a naïve belief in the overall beneficial effects of globalization and multinational empires.

In addition to posing a fundamental problem for the economic policy of the former Parti Québécois government, this event also foreshadows the new Liberal government's economic policy. It has declared its intention of eliminating the various ways in which the government intervenes in the economy by calling for a "reengineering" of the governmental apparatus.

Indeed, the minister of Economic and Regional Development, Michel Audet, stated that no public funds would be used to keep BioChem and its researchers in Quebec. He even added that "Shire paid quite a lot for BioChem, it's their company." His political attaché, Jacques Martineau even wonders whether "it is the government's role to try to change their decision". In other words, they have the right to close it if they so choose.

And that, in the end, is what "free enterprise" is all about: defending a company's interests regardless of its effect on local communities and the national economy.

This ill-advised and simplistic laissez-faire economic vision overlooks the fact that all states concerned with the public good must possess tools for curbing the excesses of free market capitalism.

Before authorizing the sale or takeover of a firm, the Liberal government in Ottawa seeks ways of ensuring that the purchase of a Canadian company by foreign investors will result in a "net benefit" for Canada. Ottawa even delayed the sale of BioChem Pharma for a few months in the spring of 2001 so that Industry Canada officials could ensure that Shire was not going to cut the firm's Montreal research activities. BioChem had received $80 million from Technology Partnerships Canada the year before it was acquired by Shire and Industry Canada wanted guarantees that federally funded research and jobs would not be quietly moved to Shire's US laboratories.

In a similar spirit, the federal minister of Industry recently asked Shire to postpone the closure of BioChem in order to give time to find alternate solutions. Curiously, his Quebec counterpart, Minister Audet, has not taken such a public stand.

These state controls are in fact the only means available for keeping the political sphere from dissolving completely into the economic market, whose financial logic is radically indifferent to the social consequences of "investor" decisions. And it is worth remembering that what the Charest government wants to dissolve are the very kinds of interventionist tools which enabled Québec to carve out an important place for itself in several high technology industries.

The new Liberal government and its program of State reduction thus signals an important change for R&D policy. How it will affect Québec's capacity for scientific research and innovation remains to be seen. But it can be suggested that without the so-called "Quebec model" there would probably never have been a strong biotechnology industry in the first place.

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